CHAPTER - II

Chapter II

Public Works Department

2.1 Widening, strengthening and up gradation of roads from Central Road Fund, National Bank for Agriculture and Rural Development and Thirteenth Finance Commission funds

Roads, bridges and buildings are basic infrastructure for socio-economic development of a nation. Government of India (GoI) provides financial assistance to the State Governments for construction and maintenance of the roads and bridges through funds provided from the Central Road Fund, National Bank for Agriculture and Rural Development and Thirteenth Finance Commission.

Performance Audit of works carried out from the funds provided for the period 2008-13 revealed deficient planning leading to sanctioning of works regardless of their priority. Utilization certificates for the previously released grants were not submitted timely thus, affecting the release of subsequent grants from the GoI. Funds were claimed in excess of the actual expenditure. The reporting on the status of works by the State Government to the GoI was not factual. Stipulated periods for completion of works were not adhered to and there were deviations from the sanctioned scope of works. There were instances of substandard execution of works and the prescribed quality control tests were not carried out. Monitoring of the progress of works was inadequate. The key findings are highlighted below.

Highlights

Against the target of 2.70 lakh km of road length envisaged for construction in the road development plan of 1981-2001, the achievement after 32 years till March 2012 was 2.43 lakh km. The priority of the road works proposed by the regional offices for execution and forwarded to GoI for sanction under Central Road Fund was changed frequently by the GoM.

(Paragraphs 2.1.6.1 and 2.1.6.2)

Utilisation certificates for the previously released grants under FC-XIII were not submitted in time which affected the release of subsequent grants from the GoI. In 20 test-checked Divisions, the State Government incurred an expenditure of ` 208.34 crore on 55 works under CRF but, utilization certificates were furnished for ` 235.11 crore, resulting in claiming of excess funds amounting to ` 26.77 crore from the GoI.

(Paragraphs 2.1.6.3 and 2.1.7.2)

The reporting by the State Government to the GoI on the status of works funded under CRF was not factual. Completion reports furnished by the State Government to GoI on three works sanctioned at a cost of ` 10.80 crore were found to be incomplete by Audit on physical verification.

(Paragraph 2.1.8.3)

The implementing agencies did not exercise adequate control over the claims preferred by the contractors for bulk bitumen supposedly

procured by them and used in various road improvement works. Invoices for 1,603.92 MT of bitumen valuing ` 6.38 crore claimed to have been procured by the contractors from M/s Hindustan Petroleum Corporation Limited and certified as consumed by the Engineers-in-charge in 18 works, were subsequently found to be fake.

(Paragraph 2.1.8.5)

There were instances of substandard execution of works and works were executed without conducting quality control tests. Monitoring of works by the State Government was weak.

(Paragraphs 2.1.8.6, 2.1.10 and 2.1.11)

2.1.1 Introduction

The Public Works Department (PWD) under Government of Maharashtra (GoM) is responsible for the construction and maintenance of roads, bridges and buildings. Development of roads in the State of Maharashtra is being done in accordance with the road development plan. Financial assistance for development and maintenance of roads and bridges in the State are provided by the Government of India (GoI) from the Central Road Fund (CRF), National Bank for Agriculture and Rural Development (NABARD) and Thirteenth Finance Commission (FC-XIII).

The GoI enacted (December 2000) The Central Road Fund Act, 2000 to create a Central Fund for development of roads by levy of cess at rupee one per litre on diesel and petrol. As per Central Road Fund (State Roads) Rules, 2007 (CRF Rules, 2007), the funds shall be placed with Ministry of Road Transports and Highways (MoRTH), GoI for development and maintenance of State roads, excluding rural roads.

Ministry of Finance, GoI communicated (March and April 2011) the recommendations of FC-XIII (award period 2011-15), which *inter alia* included grants-in-aid to State Governments for maintenance of roads and bridges and for development of roads to connect villages in remote areas.

The GoI created (1995-96) the Rural Infrastructure Development Fund (RIDF) in NABARD for infrastructure development in rural areas.

2.1.2 Organizational set up

Operations of PWD at the Mantralaya level are controlled by the Secretary (Roads) and the Secretary (Buildings). The implementation of various works in the Public Works Region is carried out under the technical control of eight[4] Chief Engineers (CEs). The CEs are assisted by 23 Superintending Engineers (SEs) in-charge of the Circles who are responsible for administration and execution of works within the Circles. The Executive Engineers (EEs) working under the SEs are in-charge of the Divisions and are responsible for execution of the works.

2.1.3 Audit objectives

The audit objectives were to assess:

- the adequacy and effectiveness of planning for road works;

[4]Amravati, Aurangabad, Konkan, Mumbai, Nagpur, Nashik, New Mumbai and Pune

- the adequacy and effectiveness of budgeting and financial management;
- the efficiency and economy in execution of road works; and
- the adequacy and effectiveness of monitoring and inspection of works.

2.1.4 Audit criteria

The audit criteria were derived from the following documents:

- Maharashtra Public Works (MPW) Manual and Maharashtra Public Works Account Code;
- Indian Road Congress (IRC) specifications and specifications prescribed by MoRTH;
- The Central Road Fund Act, 2000 and The Central Road Fund (State Roads) Rules, 2007;
- Guidelines for roads and bridges projects under NABARD Scheme;
- Guidelines for release and utilization of grants-in- aid for maintenance of road and bridges recommended by the FC-XIII; and
- Orders issued by the GoI and GoM on construction and maintenance of roads and bridges.

2.1.5 Scope and methodology of audit

The scrutiny of records was carried out between March 2013 and July 2013 at the offices of the Secretary (Roads), PWD, and in six[5] out of eight CEs, six[6] out of 23 SEs including SE Quality Control, Nagpur and 29[7] EEs which were selected through random sampling. During performance audit, roads and bridges constructed, upgraded, improved or maintained during 2008-13 through financial assistance from CRF, FC-XIII and loans from NABARD under RIDF Programme, were covered in audit, as shown in the **Table 1**.

Table 1: Number and value of works sanctioned in the State and six selected circles and those selected for audit scrutiny

Source of funding	Works sanctioned in the State		Works sanctioned in the six selected circles		Works selected for audit scrutiny		Percentage of selection
	No.	` in crore	No.	` in crore	No.	` in crore	
CRF	237	1,263.59	119	688.74	119	688.74	100
FC-XIII	983	1,023.28	306	317.32	306	317.32	100
NABARD	3,804	3,260.97	1,021	717.95	103	130.50	10

(Source: Data furnished by the Department)

The NABARD works were selected through random sampling. An entry conference with the Secretary (Roads), PWD was held on 26 April 2013, wherein objectives and criteria were discussed. An exit conference was held on 28 October 2013 with the Secretary (Roads), PWD, wherein the audit

[5] Amravati, Aurangabad, Mumbai, Nagpur, Nashik and Pune
[6] Nagpur, Nanded, Nashik, Osmanabad, Solapur and Yavatmal
[7] Akluj, Ambejogai, Beed, Bhandara, Bhokar, Gondia, Hingoli, Kalwan, Latur, Malegaon, Nagpur (four Divisions), Nashik (three Divisions), Nanded, Nilanga, Pusad, Pandharkawada, Pandharpur, Parbhani, Osmanabad (two Divisions), Solapur (two Divisions) and Yavatmal (two Divisions)

findings were discussed. The replies and additional information furnished by the Secretary (Roads), PWD during exit conference have been suitably included in the performance audit.

Audit findings

2.1.6 Planning

Proper planning allows consideration from a variety of perspectives and helps in identifying the potential problems in the process. A comprehensive road plan providing for missing links and increasing connectivity to villages, remote areas and for facilitating construction of roads on scientific lines was necessary. Audit scrutiny of the planning process revealed the following:

2.1.6.1 Road development plan

The road development plan (RDP) for the period 1981-2001 for Maharashtra State was approved in September 1986 and revised in December 1997. The important objectives of the RDP were to:

- extend State highways to serve district headquarters, sub-divisional headquarters, major industrial centres *etc*;
- connect major district roads with towns and villages having population of 1 ,500 and above;
- connect other district roads with villages having population in the range of 1 ,000-1,500; and
- connect villages having population above 100 by at least one all-weather road.

Target and achievement

Under RDP (1981-2001), the GoM targeted to construct 2,70,010 km of road length during 1981 to 2001. However, the Department did not fix any annual targets or prepare any annual plan to achieve the road lengths as per RDP of 1981-2001. The achievement till March 2008 was only 2,35,595 km (87 *per cent*) and even after 32 years of implementation till March 2012[8], only 2,42,919 km (90 *per cent*) could be constructed as detailed in **Table 2**. The GoM issued (March 2004) orders for preparation of the RDP for the next 20 years for the period from 2001 to 2021, and the same was approved in April 2012, after 12 years of the conclusion of the RDP of 1981-2001.

Table 2: RDP targets and achievements

(Figures in km)

Region	Target (1981-2001)	Achievement as on March 2008 (*per cent*)	Remaining Road length (2008-12)	Achievement during 2008-12 (*per cent*)
Amravati	38,023	24,346 (64)	13,677	492 (04)
Aurangabad	55,436	52,209 (94)	3,227	1,528 (47)
Konkan	27,655	24,938 (90)	2,717	1,221 (45)
Nagpur	43,171	34,293 (79)	8,878	2,618 (29)
Nashik	50,637	46,987 (93)	3,650	277 (08)
Pune	55,088	52,822 (96)	2,266	1,188 (52)
Total	**270,010**	**2,35,595 (87)**	**34,415**	**7,324 (21)**

(Source: Handbook on target and achievement published by PWD, GoM)

[8] Details up to March 2013 though called for were not made available to audit

The Table above further revealed that against the remaining road length of 34,415 km[9] during the period 2008-12, the achievement was only of 7,324 km (21 *per* cent) with lowest achievement recorded in Amravati region (four *per cent*).

2.1.6.2 Planning for CRF works

Rule 4 (3) of CRF Rules, 2007 prescribes that the GoM shall furnish details of all the works to GoI to facilitate identification and prioritisation of the works to be taken up from CRF. The GoI directed (January 2008) GoM to prepare a three year plan (2008-11). The GoM directed (April 2008) all the regional offices (eight CEs) to submit district-wise project proposals in order of priority of execution. The GoM submitted (May 2008) a plan for 427 road works valuing ` 1,635.09 crore for the period 2008-11. The plan depicted the priority of the works that were to be taken up for execution.

Audit observed that the GoM did not adhere to its own plan and revised the same by adding new works or substituting the works included in the plan with other works. For instance, a work proposed for execution in 2009-10 and another proposed for execution in 2010-11 were sanctioned for execution in 2008-09. Further, 29 works (2009-11) appearing in a lower order of priority received sanction ahead of the works appearing above them. As a result of these frequent changes, the GoM finally proposed 728 road works valuing ` 3,512.07 crore against the original plan for 427 road works valuing ` 1,635.09 crore. However, the GoI sanctioned only 237 road works valuing ` 1,263.59 crore for the period 2008-11.

The Government stated (December 2013) that the plan as well as inter-sepriority was changed based on the demand of peoples' representatives. The Government added that all the changes proposed were approved by the Honorable Minister. The reply is not acceptable as the priorities were recommended by regional offices considering all the aspects, including local demands and thus, the priority sequence was required to be followed by the GoM.

Further, as per Rule 5 (18) of CRF Rules, 2007, the total cost of schemes to be approved by the GoI shall be limited to the bank of sanctions which shall not normally exceed, at any point of time, two times the annual accrual for the year in which the works are sanctioned in respect of any State or Union Territory. The CE, PWD, GoM is a member of the Standing Committee in MoRTH which sanctions the works proposed by GoM. Audit observed that an amount of ` 550.56 crore had accrued to GoM on account of fuel cess under CRF during the period 2008-11. However, during the period 2008-11, the GoI sanctioned 237 works valuing ` 1,263.59 crore, against permissible amount of ` 1,101.12 crore[10]. Though an amount of ` 460.20 crore had accrued to GoM during 2011-13, the GoI did not sanction any work during these two years, as there was already high bank of sanctions under CRF. This clearly showed that the CE, PWD, GoM, despite being a member of the Standing Committee in

[9] The RDP 1981-2001 target minus the achievement as of March 2008 (2,70,010 km – 2,35,595 km)

[10] ` 550.56 x 2=` 1101.12

MoRTH, failed to exercise adequate control over the sanctioning of works with reference to the annual accruals of the State from fuel cess.

Rule 5 (5) of CRF Rules, 2007 further provides that the projects shall be selected with a view to have balanced development in the State. Audit observed that while 46 works were sanctioned for 13 districts during 2009-10, only 56 works were sanctioned for 22 districts during 2010-11. No works were sanctioned in seven districts during 2009-13, though road works for these districts were also proposed under CRF by the regional offices. During 2008-13, 47 *per cent* of the total funds sanctioned were allocated to only seven out of 33 districts of the State **(Appendix 2.1.1)**. The objective of balanced development was thus, not achieved.

2.1.6.3 Planning for FC-XIII works

Recognizing the vital importance of road infrastructure for economic development, the Ministry of Finance (MoF), Department of Expenditure, Finance Commission Division, GoI issued (March 2011) guidelines for implementation of the recommendations of FC-XIII for the award period 2011-15.

In pursuance of the guidelines, GoM constituted a High Level Monitoring Committee (HLMC) headed by Chief Secretary, GoM for sanctioning the working plans and ensuring submission of Budgets and Finance Accounts to MoF by the first week of June every year so that the grants could be released in a single annual installment in the month of July every year, during the period 2011-12 to 2014-15. Maintenance works of roads *viz*., blacktop renewal, strengthening and blacktopping and other road improvement works were to be executed under this programme. Sanctioned works were to be completed in the same financial year.

The GoM directed (August 2011) the regional offices to submit work proposals for preparation of a four year working plan for the period 2011-15. The HLMC approved (December 2011 and November 2012) 398 works valuing ` 422.46 crore and 447 works valuing ` 500.82 crore for annual plans 2011-12 and 2012-13 respectively.

Audit observed that in 29 test-checked Divisions, due to delayed approval of works by the HLMC during 2011-12 and 2012-13, the works were awarded only in February 2012 and March 2013. As a result, 106 works sanctioned during 2011-12 (expenditure incurred: ` 84.08 crore) and 122 works sanctioned during 2012-13 (expenditure incurred: ` 80.31 crore) remained incomplete as of March 2012 and March 2013 respectively.

Audit scrutiny further revealed that the State border road, Kelwad-Saoner (State Highway-250) was upgraded (January 2010) to a National Highway and transferred (May 2010) to National Highways Authority of India (NHAI). However, the EE, PW Division-II, Nagpur proposed (September 2011) blacktop renewal work on the same road in chainage 0/00 km to 13/200 km for sanction under FC-XIII but, subsequently proposed (November 2011) deletion of this work to GoM. However, GoM sanctioned (December 2011) blacktop renewal to this road and the work was awarded (February 2012) at a cost of ` 54.84 lakh and completed (November 2012) at a cost of ` 67.61 lakh. This resulted in an irregular expenditure of ` 67.61 lakh, because the State border

road already stood transferred to NHAI and further work on this road should not have been proposed and executed under FC-XIII.

The EE, PW Division-II, Nagpur accepted (April 2013) the audit observation.

The FC-XIII recommended (April 2011) financial support to the State Government for providing connectivity to remote villages which were not connected by all-weather roads. A grant-in-aid of ` 200 crore was to be released in four equal annual installments during 2011-15. As per FC-XIII guidelines, the first installment was to be released on submission of working plan, duly approved by HLMC. Subsequent installments were to be released upon receipt of Utilization Certificate (UC) of previously released grant. Audit scrutiny revealed the following:

- The HLMC sanctioned (October 2011) 69 works valuing ` 50 crore in the annual plan for 2011-12. The GoM released only ` 42.50 crore at the end of February 2012, though ` 50 crore was received from GoI in December 2011. Unable to utilize the entire grant-in- aid within the same financial year, the PWD surrendered ` 25.57 crore to GoM in March 2012. This was re-allocated in the State budget for 2012-13 and released in September 2012.

- The HLMC sanctioned the annual plan for 2012-13 in November 2012 but due to late submission of UC for works of 2011-12, GoI released second installment of ` 50 crore only in March 2013 of which, only ` 3.22 crore was utilized by end of the financial year. As a result, all the 19 works taken up during 2012-13 in the test-checked Divisions remained incomplete.

2.1.7 Financial management

The budget provisions and expenditure incurred under the three funding arrangements for the entire State during 2008-13 is given in **Table 3**.

Table 3: Budget and expenditure under the three sources of funding

(` in crore)

Year	CRF		FC-XIII		NABARD	
	Final budget and release	Expenditure	Final budget and release	Expenditure	Final budget	Expenditure
2008-09	266.55	266.56	--	--	270.01	288.31
2009-10	331.45	331.43	--	--	475.00	465.36
2010-11	390.84	388.25	--	--	400.00	358.54
2011-12	328.50	328.52	538.48	512.91	500.00	478.18
2012-13	229.35	229.35	469.48	448.27	500.00	399.93
TOTAL	**1,546.69**	**1,544.11**	**1,007.96**	**961.18**	**2,145.01**	**1,990.32**

(Source: Information provided by the Department)

Expenditure incurred from the three funding arrangements in six test-checked Circles during 2008-13 is given in **Table 4**.

Table 4: Expenditure incurred in six test-checked Circles

(` in crore)

Year	CRF	FC-XIII	NABARD
2008-09	138.10	--	93.81
2009-10	142.58	--	181.68
2010-11	171.35	--	130.75
2011-12	173.42	114.10	187.46
2012-13	144.86	170.94	150.66
TOTAL	**770.31**	**285.04**	**744.36**

(Source: Final Modified Grants sanctioned by GoM)

Audit findings are discussed in succeeding paragraphs.

2.1.7.1 Short-receipt of funds

As per CRF Rules, 2007, one-third of cess accrued during the year was to be placed at the disposal of GoM to be maintained as reserve. The GoI was to replenish the reserve by subsequent releases to the extent of physical progress of the works and expenditure incurred, on submission of UCs along with Quarterly Progress Reports (QPR).

In CE, PW Region, Mumbai, the GoM incurred an expenditure of

` 1,544.11 crore during 2008-13 from the State budget and submitted UCs for ` 1,123.22 crore to the GoI for reimbursement and received only ` 864.79 crore. The GoI did not release the remaining ` 258.43 crore as the
GoM failed to award 216 works within four months from the date of issue of Administrative Approvals (AAs) and did not complete 139 works within 24 months from the date of issue of AAs, as prescribed under CRF Rules, 2007.

The CE, PW Region, Mumbai accepted (May 2013) the facts and stated that the revalidation proposals were submitted (April 2013) to MoRTH. Reply is not acceptable as the CRF Rules, 2007 do not provide for revalidation of works. The GoM thus, had to bear the expenditure of ` 258.43 crore from its own resources. The UCs for the balance amount of ` 420.89 crore[11] were not submitted as of March 2013.

2.1.7.2 Excess claims

The CRF Act, 2000 stipulates that funds released by MoRTH would be restricted to the extent of physical progress of works and expenditure incurred as intimated by implementing agencies through Monthly Progress Reports (MPRs), QPRs and UCs. The Act also makes it mandatory for the GoM to submit Project Completion Reports (PCR) on completion of the works.

In 20 out of the 29 Divisions test-checked, against the actual expenditure of ` 208.34 crore incurred on 55 works, the UCs were furnished for ` 235.11 crore**.** The reporting of inflated expenditure resulted in claiming of excess funds amounting to ` 26.77 crore from GoI.

2.1.7.3 Non-transfer of CRF funds to the Regional Officer

Rule 5(11) of CRF Rules, 2007 prescribes that funds to the extent of three *per cent* of the cost of works shall be placed at the disposal of the Regional Officer[12] (RO) appointed by MoRTH for incurring expenditure on hiring manpower and for executing quality control checks. Audit observed that GoM did not transfer ` 33.70[13] crore during 2008-13 to the Regional Officer for

[11] ` 1544.11 crore minus ` 1123.22 crore

[12] The SE, MoRTH, Mumbai was designated as the Regional Officer for CRF works in Maharashtra State

[13] Three *per cent* of UCs submitted (` 1,123.22 crore)

executing quality control checks. As a result, none of the works could be checked for quality by the RO.

During exit conference, Secretary (Roads), PWD stated (October 2013) that RO MoRTH at Mumbai did not demand any funds for quality control and quality control issues were addressed through Government laboratory.

Reply is not acceptable as requisite funds were not placed at the disposal of the RO, MoRTH by the GoM in contravention of CRF Rules, 2007. Further, the Rules do not provide for raising of demand by MoRTH.

2.1.7.4 Irregular claims from CRF

The GoM proposed (November 2010) three works valuing ` 21crore for road improvement works in 33 kms on 'Ramtek-Khapa-Tumsar Road (SH 249) in chainages 104/00 km to 119/00 km (` nine crore), 119/00 km to 130/00 km (` 6.60 crore) and 135/00 km to 142/00 km (` 5.40 crore)'. GoI sanctioned (January 2011) ` 21 crore for these three road improvement works. However, GoI also sanctioned (January 2011) ` 6.60 crore inadvertently for the road work in chainage 119/00 km to 130/00 km.

Scrutiny of records of PW Division, Bhandara revealed that the Division awarded (November 2011) a single contract for ` 22.55 crore by clubbing both the sanctions of January 2011 (` 21 crore + ` 6.60 crore). Further, EE, PW Division, Bhandara reported (April 2013) utilisation of ` 8.39 crore and ` 1.92 crore as of March 2013 against the sanctioned cost of ` 21 crore and ` 6.60 crore respectively, in the MPR submitted to the SE, PW Circle, Nagpur. The same figures were also reported (April 2013) by GoM to GoI.

Thus, GoM instead of refunding ` 6.60 crore to GoI in the first instance, submitted incorrect status of works through MPR and claimed an irregular reimbursement of ` 1.92 crore. Since GoM submitted consolidated claims to GoI for reimbursement, Audit could not verify whether the claim of ` 1.92 crore was met by GoI.

2.1.7.5 Excess drawal of loan

The terms and conditions of projects sanctioned under RIDF stipulated monthly disbursement of loan amount by NABARD based on submission of statement of expenditure by GoM. The loan so disbursed was to be restricted to 80 *per cent* of the amount depicted in the statement of expenditure and GoM was to bear the remaining 20 *per cent* of the expenditure.

In nine of the 29 test-checked Divisions, the EEs claimed excess amount of ` 6.18 crore in respect of 44 works by reporting inflated figures of expenditure instead of actual expenditure incurred. Similarly, in PW Division, Hingoli, the work of 'Improvement to Parli-Bori-Sawant Road in chainage 01/000 km to 03/700 km' was sanctioned (March 2010) twice by NABARD under RIDF XV, leading to an excess release of loan amounting to ` 14.17 lakh.

The EE, PW Division, Hingoli accepted (June 2013) the fact and stated that the work has been proposed for deletion.

As of July 2013, NABARD neither deleted the work nor was the excess release of ` 14.17 lakh adjusted from subsequent releases.

2.1.7.6 Irregular diversion of funds

Funds released by the State Government are to be utilized on specified works only. However, in the following cases, diversions of fund were observed:

CRF

In PW Division, Nanded, ` 5.53 crore received under CRF in 2011-12 was diverted to make payment to Special Land Acquisition Officer (SLAO) for acquiring land for construction of bypass to Ardhapur city, district Nanded. Similarly, ` 44.64 lakh received by PW Division-II, Solapur was diverted to works not sanctioned under CRF.

The EE, PWD, Nanded stated (July 2013) that ` 2.57 crore out of ` 5.53 crore has been refunded by SLAO, after receipt of funds from the GoM for acquisition of land.

During exit conference, Secretary (Roads), PWD accepted (October 2013) the audit observation.

FC-XIII

In nine Divisions, ` eight crore sanctioned for 51 works were diverted and spent on works other than those sanctioned under FC-XIII.

During exit conference, Secretary (Roads), PWD accepted (October 2013) the audit observation and stated that necessary instructions would be issued to utilize the funds for the purpose for which these were sanctioned.

NABARD

In PW Division, Solapur, ` 2.34 crore meant to be used for NABARD works was diverted (2011-12) for execution of 28 other works not sanctioned under NABARD.

During exit conference, Secretary (Roads), PWD accepted (October 2013) the audit observation and stated that necessary instructions would be issued to utilize the funds for the purpose for which these were sanctioned.

2.1.8 Programme implementation

Details of works selected for audit, completed, in-progress and abandoned as on 31 March 2013 are given in **Table 5**.

Table 5: Works selected for audit scrutiny, works completed, in-progress and abandoned

Source of funding	Selected for audit scrutiny		Works completed		Works in progress		Works abandoned	
	No.	` crore	No.	` crore	No.	` crore	No.	` crore
CRF	119	688.73	51	259.06	67	424.67	1	5.00
FC-XIII	306	317.29	27	29.82	279	287.47	-	-
NABARD	103	130.50	34	28.13	68	101.57	1	0.80

(Source: Sanction orders, UCs, MPRs and Running Account Bills furnished by EEs) Audit observations on execution of works are discussed below.

2.1.8.1 De-sanction of works

As per the CRF Rules, 2007, the sanctioned works should be awarded within four months of the date of AA failing which, the works would be deemed to have been de-sanctioned.

In all the six test-checked Circles, 99 works (out of 119 works) valuing ` 489.30 crore sanctioned under CRF between 2008-13 were not awarded for execution within the stipulated period of four months of the date of AA and thus, automatically de-sanctioned. The delay in award of works ranged from 12 to 601 days. The Department continued to incur expenditure and claimed reimbursement in respect of these de-sanctioned works.

During exit conference, Secretary (Roads), PWD stated (October 2013) that revalidation proposals had been sent to MoRTH and approval was awaited. The reply is not acceptable as CRF Rules, 2007 do not provide for revalidation of projects.

2.1.8.2 Non-completion of works within stipulated period

As per the CRF Rules, 2007, the sanctioned works should be completed within 24 months from the date of AA.

In five out of six test-checked Circles, 49 works sanctioned under CRF between 2008-13 at a cost of ` 249.80 crore could not be completed within the stipulated period of 24 months and as a result, GoI stopped releasing funds. The delay in completion of works beyond 24 months ranged between 30 days and 906 days.

During exit conference, Secretary (Roads), PWD stated (October 2013) that revalidation proposals had been sent to MoRTH and approval on the same was awaited. The reply is not acceptable as CRF Rules, 2007 do not provide for revalidation of projects.

2.1.8.3 False reporting of works

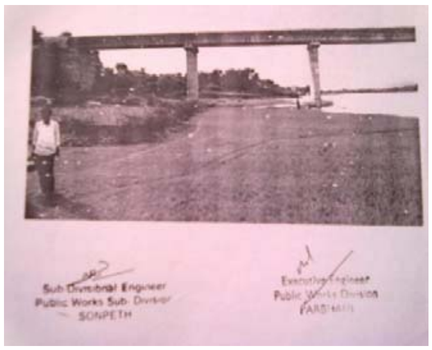
Test check of records revealed that in three cases, the GoM intimated incorrect status of works to GoI taken up under CRF. The cases are discussed below:

- The EE, PW Division, Parbhani awarded (September 1998) the work of 'Construction of Bridge on Godavari river at Sirsi village in Parbhani district', sanctioned under State funds, at cost of ` 3.24 crore for providing connectivity to villages. Owing to paucity of funds, the ongoing bridge work along with its approaches was proposed by GoM under CRF and GoI sanctioned (February 2004) both the works at a total cost of ` 4.05 crore. The EE awarded (November 2005) the work for construction of approach road to the bridge at a cost of ` 73.79 lakh.

  Audit scrutiny revealed that due to slow progress of the bridge work (even after its inclusion in CRF), the contract was withdrawn (November 2007) after incurring an expenditure of ` 2.37 crore. Non-completion of bridge work also affected the work of approach road and hence, the contract for construction of approach road was also withdrawn (October 2010) after incurring an expenditure of ` 25.30 lakh.

  The value of balance works at the time of withdrawal was ` 1.36 crore, which was revised (August 2011) to ` 6.56 crore. A composite contract for the balance works (bridge and approach road) was re- awarded (February 2013) at a cost of ` 8.23 crore under State funds for completion in 18 months. An expenditure of ` 59 lakh was incurred as of July 2013.

Meanwhile in January 2011, the GoM reported to GoI satisfactory completion of both the works at a cost of ` 2.71 crore. The photograph enclosed with the completion report also gave an impression of a completed bridge and its approaches. However, physical verification (June 2013) of the project by Audit with Departmental officials revealed that neither the bridge work nor its approaches were complete as can be seen from the photographs below.



Photograph attached with PCR (January 2011)

Photograph taken by Audit (27 June 2013)

The GoM thus, furnished a misleading report to GoI in January 2011. Further, the project could not be completed even after 15 years of its initiation (September 1998). At the time of re-awarding of works in February 2013 there was already a cost over-run of ` 6.87 crore[14]. Also, the objective of providing connectivity to the villages was not achieved.

- The GoM submitted (May 2008) a proposal for the work of 'Construction of Major Bridge on Jamgaon-Thadipauni Road across Wardha River in Taluka Narkhed' to GoI for its inclusion under CRF. The scope of work included construction of bridge and its approach road. The GoI sanctioned (August 2008) ` 3.75 crore for the work under CRF.

  Scrutiny of the records of EE, PW Division-II, Nagpur revealed that the work was awarded (February 2009) at a cost of ` 3.45 crore scheduled for completion by August 2010. The GoM submitted (June 2011) the PCR to GoI. However, the work of approach road was not taken up.

  For construction of approach road, the SE, PW Circle, Nagpur sanctioned (July 2012) ` 39.16 lakh. The work was not complete as of May 2013, as items amounting to ` 4.33 lakh[15] remained to be executed as per scope of work.

  During joint inspection (May 2013) with Departmental officials, it was observed by Audit that the approach road to the bridge was not complete and the site was not clear of debris. Thus, submission of PCR by the GoM in June 2011 to GoI indicated false reporting.

- The GoM proposed (May 2008) a work of 'Improvement to Apegaon-Kuranpimpari-Mahartakali-Chaklamba-Shingarwadi Road (SH-155) in km 1/200 to 23/400' under CRF. The scope of work included strengthening in

14 ` 8.23 crore minus ` 1.36 crore

15 Excavation for roadway and conveying for embankment, side gutter (` 2.75 lakh) and rubble pitching and approaches (` 1.58 lakh)

a length of 8.5 km out of total length of 22.20 km. Blacktopping was to be carried out in the entire length of 22.20 km. The width of the carriageway was 3.70 metre. Though a bridge in chainage km 15/400 was essential for road continuity up to Shingarwadi village, the same was left out while submitting the proposal to GoI.

The GoI sanctioned (August 2009) ` three crore for the work of strengthening and blacktopping. The EE, PW Division, Beed awarded the work in May 2011 which was scheduled for completion by May 2012. Audit observed that though the work of blacktopping involved the entire stretch of 22.20 km, the same was not included in the detailed estimates and the work order issued. The measurement book indicated that the blacktopping work was executed only in chainage 4/00 to 7/720 (3.720 km) against chainage 4/00 to 8/300 (4.30 km) included in the work order. The contractor completed (May 2012) the work of strengthening and blacktopping at a cost of ` 3.15 crore. The GoM reported (April 2013) to GoI (through MPR of March 2013) that entire length of 22.20 km was completed but the PCR was not submitted to GoI (July 2013).

Further, construction of bridge in chainage km 15/400 was awarded (August 2009) from State funds to another contractor at a cost of ` 69.68 lakh with scheduled date of completion of August 2010. Joint physical verification of work (July 2013) with Department officials revealed that the road was not motorable in chainage km 7/720 to 12/500 despite black topping and strengthening between this section and the bridge work was also incomplete.

Incomplete bridge

Thus, by not including the bridge work while forwarding the proposal for road improvement works to GoI, an expenditure of ` 3.52 crore[16] incurred on road and bridge works was rendered unfruitful.

2.1.8.4 Incorrect selection of works

The CRF Rules, 2007 stipulated that roads, on which improvement works were carried out in preceding three years, should not be proposed under CRF.

The EE, PW Division, Bhandara proposed (November 2010) the work of 'Improvement to Ramtek-Khapa-Tumsar Road in chainage 104/00 km to 130/00 km and 135/00 km to 142/200 km'. The GoI sanctioned (January

[16] ` 3.15 crore on road work and ` 37.09 lakh on bridge work

2011) the work under CRF. The work was awarded (November 2011) at a cost of ` 22.55 crore to be completed by May 2013.

Audit observed that improvement and blacktop renewal in road length of 2.8 km[17] (5.50 metre carriageway) had already been executed during 2009-10 at an expenditure of ` 22.37 lakh. Thus, selection of this road length on which improvement works had already been carried out was against the provisions of CRF Rules, 2007.

2.1.8.5 Bitumen invoices

The GoM directed (October 2007) that bitumen used by the contractors in road works should be procured only from Government refineries. The bulk bitumen container should be unloaded at the hot mix plant in the presence of the Engineer-in-charge or his representative who will certify that the bitumen was consumed for the work for which it was procured. As per standard tender conditions, the contractors were also required to submit the original invoices of bitumen duly certified by the Engineer-in-charge or his representative that the bitumen was consumed for the work for which it was procured. Audit scrutiny revealed the following:

Same bitumen invoices for multiple works

In three out of 29 Divisions[18] test-checked, 526.32 MT of bitumen was consumed in 34 works. The Engineers-in-charge had certified bitumen invoices for 263.16 MT valuing ` 96.20 lakh for consumption in 17 works. However, it was observed that Engineers-in-charge used the same invoices to certify the same quantity of bitumen having been consumed in 17 other works, as shown in **Appendix 2.1.2**.

Thus, use of same invoices for certifying the same quantity of bitumen in two different works indicated the possibility of over payment for bitumen not actually used/consumed.

Submission of fake invoices for bitumen consumed

In five test-checked Divisions[19], it was observed that 101 invoices for 1,603.92 MT of bitumen valuing ` 6.38 crore procured from M/s Hindustan Petroleum Corporation Limited (HPCL) were certified as consumed by the Engineer-incharge in 18 works. However, on cross verification with HPCL in July and September 2013, these 101 bitumen invoices were found to be fake, as HPCL subsequently confirmed (July and September 2013) that the invoices in question were not appearing in their system and were incorrect.

Execution of works without obtaining bitumen invoices

In eight Divisions[20] test-checked, 8,658.29 MT of bitumen valuing ` 33.23 crore was consumed in 30 works carried out between 2008 and 2013 and payments released, but no bitumen invoices were obtained from the

[17] At chainage km 104/400 to 105/200 and km 114/00 to 116/00

[18] PW Division-III, Nagpur; PW Division, Nanded; and PW Division, Yavatmal

[19] PW Division, Bhokar; PW Division, Hingoli; PW Division, Nanded; PW Division, Parbhani; and PW Division, Yavatmal

[20] PW Division, Akluj; PW Division (EGS), Gondia; PW Division-II, Nagpur; PW Special Project Construction Division, Nagpur; PW Division (East), Nashik; PW Division, Osmanabad; PW Division, Parbhani; and PW Division, Solapur

contractors. Non-submission of original bitumen invoices by the contractors not only violated the tender conditions but proved weak control and monitoring by the Department.

The EE, Special Project Construction Division, Nagpur stated (May 2013) that the contractors have been asked to submit the bitumen invoices.

Considering the fact that final bills have been paid to the contractors in 13 out of 30 works up to March 2013, it is highly unlikely that the contractors, at this stage, would furnish the original bitumen invoices to the Department.

Procurement of bitumen from private agencies

In five Divisions[21] test-checked, the contractors procured 895.045 MT of bitumen valuing ` 3.54 crore for nine works from private agencies instead of Government refineries and the same was allowed by the Engineers-in-charge to be used in construction of roads.

The EEs, PWD Bhandara and Nanded stated (May/July 2013) that bitumen was purchased from authorised dealers of Government refineries. Reply is not acceptable as the Government instructions of October 2007 specifically stated that bitumen was to be procured only from Government refineries.

2.1.8.6 Substandard execution of works

The instances of execution of substandard works are detailed below:

- As per IRC 37-2001, Bituminous Macadam (BM) should be covered by next pavement course or wearing course within a maximum period of 48 hours, to prevent damages to the BM surface.

  The PW Division, Nanded awarded (December 2011) work of 'Construction of bypass to Ardhapur City' at a cost of ` 19.95 crore. It was observed that BM was laid in the month of March 2013 at a cost of ` 2.44 crore, but the same was not covered by next pavement course[22] till June 2013. As IRC specifications were not adhered to, the possibility of damage to the BM surface could not be ruled out.

During exit conference, Secretary (Roads), PWD stated (October 2013) that a Circular would be issued instructing that no BM should be left uncovered.

- The GoI sanctioned (August 2008) ` three crore for a work[23] under CRF. The CE, PW Region, Aurangabad accorded (November 2009) technical sanction of ` 2.67 crore to the work. The road stretch ran through black cotton soil rich land and was prone to water logging causing heavy damage to road. To strengthen the road for use of heavy traffic, excavation in the existing surface and filling by Granular Sub-Base (GSB) and Hard Murum (HM) were part of the scope of work. The quantities of GSB and HM fillings were individually derived in the estimates with a view to achieving the required crust thickness of the road. The EE, PW Division, Beed

[21] PW Division, Bhandara; PW Division-III, Nagpur; PW Special Project Construction Division, Nagpur; PW Division, Nanded; and PW Division, Yavatmal

[22] Laying of ready mix material prepared at hot mix plant (Premix Carpet)

[23] Improvement to Apegaon-Kuranpimpari-Mahartakali-Chaklamba-Shingarwadi Road SH55 in chainage 1/200 km to 23/400 km

awarded (May 2011) the above work at the cost of ` 3.10 crore. The work was completed in May 2012 at a cost of ` 3.15 crore.

Audit observed that there was a provision of excavation of 31.82 cum of the existing pavement with an estimated filling of 7,224 cum of GSB and 45,085.75 cum of HM. Against this, the contractor excavated 275.28 cum and filled 5,638.82 cum of GSB and 38,345 cum of HM.

As the contractor excavated 243.46 cum more than that specified in the contract, the corresponding GSB and HM fillings should have been more. However, shortfall in fillings by GSB and HM indicated that the required crust thickness for the road was not achieved.

Physical verification (July 2013) of the road by Audit with Departmental officials revealed that the carriageway and the side shoulders on both sides of the road were damaged due to shortfall in fillings by GSB and HM.

During exit conference, Secretary (Roads), PWD stated (October 2013) that work would be checked through Vigilance and Quality Control Circle of the Region.

- In order to avoid damage to roads by water, GoM prescribed (November 1997) various tests[24] whenever HM blanketing work was executed on roads that ran through black cotton soil.

Scrutiny of records in PW Division, Akluj revealed that two road works[25] were awarded (November 2011) under CRF. Both the roads ran through areas rich in black cotton soil. Soft and HM blanketing was part of the scope in both the works. A total quantity of 49,347.61 cum of soft murum and HM was supplied and compacted for which an expenditure of ` 88.94 lakh was incurred.

However, none of the prescribed tests reports were found in the records produced to Audit and therefore, the assurance that the works executed met the standards set could not be confirmed in audit.

During exit conference, Secretary (Roads), PWD stated (October 2013) that the matter would be investigated.

2.1.8.7 Irregular expenditure in execution of works

The implementing agencies should comply with the Government norms during execution of road works and make appropriate provisions as required under IRC specifications and conditions laid down in the contracts.

Reduction in scope of work

As per Rule 5 (3) of CRF Rules, 2007, proposals for road works under CRF should generally cover at least 10 km length unless the requirement for connecting two places is less than 10 km.

Audit scrutiny revealed that in six test-checked Divisions, GoI sanctioned ` 56.65 crore for nine road works covering a total road length of 109.33 km.

[24] Proctor density test, maximum dry density test of the soil used, CBR test of existing soil, optimum moisture content test, roller passing record *etc*.

[25] (1) Improvement to Parewadi to SH 141 Road MDR-4 in km 15/000 to 38/000, District Solapur; and (2) Improvements to Karmala to Awati Road SH-67 in km 74/800 to 102/800, Akluj, District Solapur

However, the total road length actually covered was only 78.48 km as per the estimates prepared for these nine works.

The EEs of the Divisions stated (March-April 2013) that the scope was reduced in order to complete the works within the approved costs.

Replies of the EEs are not acceptable as only part length of the road was tackled by spending the entire sanctioned amount which showed that the proposals submitted by the Divisions were *ab-initio* faulty.

Execution of works beyond sanctioned scope

Paragraph 134 of MPW Manual specifies that revised AAs should be obtained for any deviation from the original proposals.

In five CRF works (four Divisions), an expenditure of ` 2.04 crore was incurred beyond the sanctioned scope of works. However, no revised AAs were obtained in all the five cases as required under MPW Manual. Further, in six FC-XIII works (three Divisions), an expenditure of ` 1.88 crore was incurred on execution of works beyond the sanctioned scope but revised AAs were not obtained.

Execution of additional road lengths from savings

As per paragraph 261 of MPW Manual, any anticipated or actual savings on a sanctioned estimate in a particular project should not be utilized to carry out additional works not contemplated in the original project unless sanctioned by competent authority.

Scrutiny of records revealed that CE, PW Region, Nagpur contrary to the provisions of MPW Manual, approved (March 2012) an additional road length of 29.02 km at an estimated cost of ` 4.46 crore for execution from the savings of ` 3.85 crore accrued from 16 road works undertaken from FC-XIII funds during 2011-12. The remaining expenditure of ` 0.61 crore was met from FC-XIII funds for the year 2012-13.

Undue benefit to a contractor

As per paragraph 10.2.21 of Maharashtra Public Works Account Code, advance against material brought to site of work (secured advance) may be given to the contractors not exceeding 75 *per cent* of the value of such material. To safeguard against losses to Government, the Engineer-in-charge should obtain purchase invoices of material from the contractors and also ensure that the material are brought to site.

The PW Division, Nanded awarded (August 2009) the work of 'Improvement to Barad-Mukhed-Malkawatha Road in km 0/00 to 8/00' at a cost of ` 5.56 crore under CRF. A secured advance of ` 2.81 crore was made to the contractor (March 2010) which included an advance of ` 1.03 crore towards procurement of 420 MT of bitumen. Audit scrutiny revealed that though the actual consumption of bitumen was only 288 MT, secured advance of ` 32.37 lakh[26] for excess quantity of bitumen of 132 MT was paid to the contractor. The final payment was released to the contractor in May 2013. Further,

[26] (` 1.03 crore ÷ 420 MT) x 132 MT

purchase invoices of bitumen submitted by the contractor pertained to the period December 2008 to July 2009 *i.e.* before the date of award of work.

During exit conference, Secretary (Roads), PWD accepted (October 2013) the audit observation.

2.1.9 Works held up for want of forest clearance

The Forest Conservation Act, 1980 stipulates that forest land should not be utilized for non-forest purpose without prior approval of the Ministry of Environment and Forest (MoEF). Further, paragraph 251 of MPW Manual discourages commencement of works without possession of land.

Audit observed that the above provisions were not followed in execution of two works in two test-checked Divisions as detailed in **Table 6**:

Table 6: Details of works held up for want of forest clearance

Division	Details of work	Reply
PWD-II, Nagpur	**NABARD** The work of 'Improvement and Strengthening and Black Topping (STBT) to Khapri-Linga-Ladai-Bazargaon Road km 10/700 to 12/500 (MDR-10)' was awarded (February 2009) at cost of ₹ 62.38 lakh. Another work of STBT to the same road in km 12/500 to 15/500 was awarded (November 2009) to another contractor at a cost of ₹ 1.44 crore. Both the works had to be stopped (January 2011) for want of forest and environmental clearances from the MoEF. The contractors carried out only strengthening works for which a payment of ₹ 1.42 crore was made (March 2013). Due to non-execution of blacktopping works, the road could not be made all-weather and thus, its life was reduced considerably.	During exit conference the Secretary (Roads), PWD accepted (October 2013) the audit observations.
PW (EGS), Gondia	**CRF** The work of 'Improvement to Sangadi Navegaon-Gothangaon-Keshori road (MDR-35) in km 12/00 to 24/00' was awarded (February 2012) at a cost of ₹ 3.14 crore. Although the road work was being executed in forest land, prior clearance from Forest Department was not taken before the commencement of work. The Forest Department objected to execution of the work and consequently, the work was stopped after incurring an expenditure of ₹ 44.65 lakh.	

2.1.10 Quality control

In order to ensure quality assurance, the contractor was required to prepare a quality assurance plan and get the same approved from the Engineer-in-charge within one month from the date of work order. The quality of the work was to be properly documented through certificates, records, check-lists and log books of results. Such records were to be compiled from the beginning of the work and be continuously updated and supplemented by the contractor.

2.1.10.1 Works executed without conducting quality control tests

As per work specifications for concrete works, the contractors are required to get cube test of cement concrete samples done from the Government Quality Control Laboratory and furnish the results to the EEs. For this purpose, three cubes of cement concrete are to be tested at seven days' age and three cubes at 28 days' age, after they are cast.

In six works (four Divisions), the prescribed tests were conducted after 41 to 646 days since they were cast (**Appendix 2.1.3**). Thus, there was no assurance

that the cement concrete works carried out by the contractors in these six works had met the requisite quality standards.

During exit conference, Secretary (Roads), PWD accepted (October 2013) the audit observation.

Further, as per tender specifications, the contractors executing road works are bound to furnish test results of bitumen and other material used for the road works from Government Quality Control Laboratory before commencement of works.

GoM sanctioned (November 2012) the work of 'Blacktopping renewal to MSH-2 Mumbai-Loha Road in km 493/00 to 496/00' under FC-XIII. The EE, PW Division, Nanded awarded the work on 15 February 2013 at a cost of ` 1.25 crore for completion in two months. The contractor submitted the requisite test results, as per the tender conditions. Audit however, observed that the test results carried the date 31 January 2013, which was prior to the date of issue of notice inviting tender (08 February 2013) and the date of award of work (15 February 2013) and thus, highly irregular.

2.1.10.2 Deficient quality control tests

The GoI sanctioned (October 2008) the work of 'Improvement to Watur–Jintur–Aundha Road SH-220 in km 19/00 to 29/00' under CRF. The work was technically sanctioned (December 2008) by CE, PW Region, Aurangabad at a cost of ` 5.50 crore. The scope of work *inter alia* included excavation of the existing surface in chainage 19/00 km to 26/700 km to drain out excessive water. The excavation was to be refilled with suitable material. The tender conditions provided for testing[27] of material to be used for refilling, before commencement of refilling work by the contractor. The tender conditions also provided for withholding of 15 *per cent* of the total amount payable to the contractor for refilling work, if the prescribed tests are not conducted.

Audit scrutiny of the records of EE, PW Division, Parbhani revealed that the work was awarded (January 2010) at a cost of ` 5.44 crore. The contractor was required to furnish 28 test results for using 8,557.43 cum of GSB for refilling till the 11th and final bill (December 2012) against which, only one test result was furnished. However, full payment of ` 91.14 lakh was released to the contractor without holding back ` 13.67 lakh, being 15 *per cent* of the total amount payable on account of refilling work.

2.1.11 Monitoring

In order to ensure execution of works as per guidelines issued by GoI, GoM and NABARD, regular monitoring of the works sanctioned under the three funding arrangements at all levels was essential. The following deficiencies were noticed in audit**:**

[27] For every 300 cum for GSB material used for refilling, CBR test (soaked and un-soaked) was required to be conducted. The test results should also mention natural moisture content, optimum moisture content / maximum dry density *etc*.

2.1.11.1 Works under CRF

Rule 11 (1) of CRF Rules, 2007 stipulates submission of PCR by the implementing agency duly verified by audit immediately upon completion of works.

Scrutiny of the records of CE, PW Region, Mumbai revealed that of the 237 projects sanctioned by MoRTH during 2008-11, PCRs in respect of 112 projects were submitted (March 2013) by the implementing agencies without audit.

During exit conference, Secretary (Roads), PWD while accepting the fact stated (October 2013) that necessary instruction would be issued in this regard.

Rule 11(3) of CRF Rule, 2007 required that physical and financial progress of works shall be reviewed and discussed with the executive agency (CE, PW Region, Mumbai) on quarterly basis by the Central Government. However, only six review meetings were held against 20 meetings required to be held during the period 2008-13.

As per Rule 10 (4) of CRF Rules, 2007, the Regional Officer, SE, MoRTH based at Mumbai was to measure not less than 30 *per cent* of the value of the works to ensure execution of works as per standards and specifications. However, the Regional Officer, SE, MoRTH did not measure any works during the period 2008-13.

2.1.11.2 Works under FC-XIII

The HLMC was constituted at the State level to ensure proper utilization of grants and monitor the physical and financial targets by adhering to conditions specified by the Finance Commission. For this purpose, the HLMC was required to meet on quarterly basis and the minutes of the meetings were to be forwarded to the MoF, Department of Expenditure, Finance Commission Division. The GoM was also required to furnish UCs as per General Financial Rules, 2005 for the grants-in-aid received by it.

Audit observed that only one meeting each of HLMC was held in the year 2011-12 and 2012-13. Further, the HLMC did not prescribe any reports/returns to be furnished by the implementing agencies for monitoring the execution of FC-XIII works. The GoM submitted UCs to GoI for the year 2011-12 in August 2012. This resulted in delayed receipt (March 2013) of grants-in-aid for the year 2012-13 and affected the timely execution of works.

2.1.12 Conclusion

The Performance Audit revealed that the targets for road lengths fixed in the 20 year road development plan for the period 1981 to 2001 were not achieved. Road works proposed under CRF were sanctioned by the GoM regardless of the priority of their execution. Release of funds under CRF was stopped due to inability of the State Government to complete the approved works within the stipulated timeframe. Funds received under FC-XIII were either surrendered or the utilization was very low. Funds were claimed in excess of the actual expenditure. Funds sanctioned for approved works were irregularly diverted for other works. There were deviations from the sanctioned scope of works. The reporting on the status of works by the State Government to the GoI was not factual. The implementing agencies did not exercise adequate control over the claims preferred by the contractors for bulk bitumen purported to be bought by them and used in various road improvement works. There were instances of substandard execution of works and works were held up for want of forest clearance. Works were executed without conducting quality control tests. Monitoring of works by the State Government was weak.

2.1.13 Recommendations

The Government may ensure that:

- the road development plan 2001-2021 is implemented timely;
- works are sanctioned in order of priority and completed timely;
- status of works reported to GoI is factual;
- the provisions of MPW Manual and MoRTH/IRC specifications are strictly adhered to during execution of works;
- the prescribed quality control tests are invariably conducted; and monitoring of works at various levels is robust.

The Performance Audit Report was issued to the Government in August 2013; the reply was awaited as of January 2014.

Food, Civil Supplies and Consumer Protection Department

2.2 Implementation of Targeted Public Distribution System in Maharashtra

The Public Distribution System (PDS) is a Government of India (GoI) Sponsored Scheme and the State Governments are responsible for its implementation. PDS is a major instrument for ensuring timely availability of foodgrains to the public at affordable prices as well as providing food security for the poor. Under PDS, rice, wheat, sugar, edible oil, turdal and kerosene, as notified by the GoI, are distributed. To strengthen the PDS, GoI introduced the Targeted Public Distribution System in June 1997 for distribution of foodgrains at subsidised rates to the families living Below Poverty Line (BPL).

Performance Audit of the Scheme for the period 2008-09 to 2012-13 revealed that the list of BPL families was not reviewed every year for the purpose of deletion of ineligible families. While the allotted quota of foodgrains was not lifted by the State, there was avoidable expenditure on purchase of rice from open market. Foodgrains were not tested before lifting from FCI. Construction of additional godowns for augmenting the storage capacity of essential commodities was far from satisfactory. The Scheme of direct transfer of cash subsidy on kerosene oil was lagging behind and implementation of Vehicle Tracking System was not effective. Monitoring of the Scheme was weak due to non-constitution of requisite number of Vigilance Committees at various levels. There were shortfalls in inspection of godowns, fair price shops and ration cards by the designated authorities. The key findings are highlighted below.

Highlights

The Food, Civil Supplies and Consumer Protection Department did not review the list of BPL families leading to distribution of 42.23 lakh MT of foodgrains valuing ₹ 2,102.71 crore to ineligible beneficiaries during the period 2008-2013, while depriving 26.69 lakh BPL families of the benefits of subsidised foodgrains.

(Paragraph 2.2.8.1)

The Department budgeted and received ₹ 1,284.42 crore as subsidy towards foodgrains against the actual subsidy of ₹ 591.92 crore, resulting in excess drawal of subsidy amounting to ₹ 692.50 crore.

(Paragraph 2.2.9.1)

Due to non-lifting of allotted quotas of rice and wheat by the State Government, 16.09 lakh MT under BPL and 5.01 lakh MT under Antyodaya Anna Yojna lapsed during 2008-13. The State Government's decision to purchase rice from open market without lifting full quota from GoI also led to an additional financial burden of ₹ 10.91 crore.

(Paragraphs 2.2.10.2 and 2.2.10.3)

Joint inspections of foodgrains before their lifting from FCI were not conducted by the Department during the period 2008-13, in violation of the PDS (Control) Order, 2001.

(Paragraph 2.2.10.4)

Despite commencement of the Scheme of direct transfer of cash subsidy on kerosene oil from August 2012 and release of ` 10 crore by GoI, the Scheme could be implemented partially only in three out of six districts as of March 2013. Only 34 out of 1,068 Vehicle Tracking Systems, installed to ward off en-route pilferage and diversion of kerosene oil, were functional.

(Paragraphs 2.2.12.2 and 2.2.12.3)

The monitoring mechanism of the Scheme was weak. There was shortfall of 63 *per cent* and 39.02 *per cent* in inspection of godowns and fair price shops respectively while the requisite numbers of Vigilance Committees were not fully constituted at various levels.

(Paragraph 2.2.16)

2.2.1 Introduction

The Public Distribution System (PDS) is a Government of India (GoI) sponsored Scheme and the State Governments are responsible for its implementation. The PDS involves procurement, storage and distribution of foodgrains to ration card holders through Fair Price Shops[28] (FPS) and is regulated under the provisions of the PDS (Control) Order, 2001. PDS is a major instrument for ensuring timely availability of foodgrains to the public at affordable prices as well as providing food security for the poor. Under PDS, rice, wheat, sugar, edible oil, *turdal* and kerosene oil (KO), as notified by the GoI, are distributed.

2.2.1.1 Salient features of the Scheme

To strengthen the PDS, GoI introduced (June 1997) the Targeted Public Distribution System (TPDS) under which 35 kg of foodgrains is issued per month at subsidised rates to the families living Below Poverty Line (BPL). The States are required to formulate and make arrangements for identification of the poor, delivery of foodgrains to FPS and their distribution in a transparent manner.

GoI launched (April 2000) the Annapurna Scheme for distribution of 10 kg of foodgrains per month free of cost to those senior citizens who are eligible for old age pension under the National Old Age Pension Scheme or the State Pension Scheme but presently not receiving the same. The Scheme was implemented in the State from April 2001.

GoI also launched the Antyodaya Anna Yojna (AAY) in December 2000 with a view to targeting the poorest of the poor. The Scheme envisaged distribution of 35 kg of foodgrains per month at highly subsidised rates of ` two per kg of wheat and ` three per kg of rice.

28 Fair Price Shops are public distribution shops

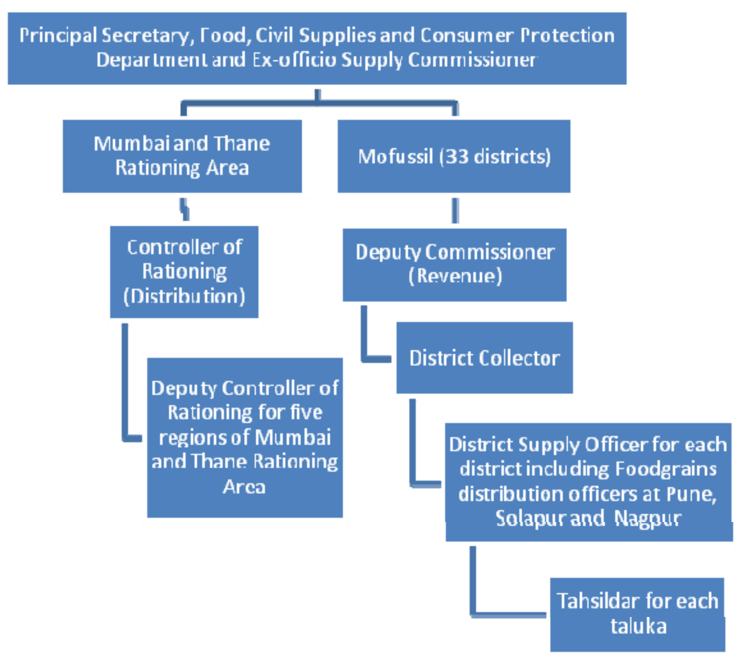
The GoI procures and allocates foodgrains to Government of Maharashtra (GoM) at Central Issue Price (CIP). Based on the allocation received, the foodgrains is lifted by the Food, Civil Supplies and Consumer Protection Department (Department) from Food Corporation of India (FCI) and allocated to FPS for distribution to the eligible card holders.

GoI allocates KO to GoM which in turn is allocated to the FPS through KO dealers appointed by GoI. Based on GoI allocation, sugar is lifted from sugar factories by sugar nominees[29] appointed by GoM, for distribution to card holders through FPS.

As on March 2013, the network of PDS in the State comprised of 52,136 FPS and the total number of ration cards was 215.94 lakh. The category of ration card holders, quantum of foodgrains eligible for distribution *etc*. as on March 2013 is given in **Appendix 2.2.1**. The total capacity (March 2013) of Government godowns used for storage of PDS foodgrains was 5.62 lakh Metric Ton (MT).

2.2.2 Organisational set up

The Principal Secretary, Food, Civil Supplies and Consumer Protection Department is responsible for implementation of the Scheme at the State level. At the District level, TPDS is implemented through District Supply Officers assisted by the Tahsildars at the Taluka level. An organogram of the Department is shown below.



2.2.3 Scope and methodology of audit

A Performance Audit was conducted between May and August 2013 by test check of records in the offices of the Food, Civil Supplies and Consumer Protection Department, the Financial Advisor and Deputy Secretary and the

[29] Society/person who maintains stock of sugar in each district {Maharashtra levy sugar (Regulation and Distribution) Act, 1981}

Supply Commissioner. At field level, 11 units were selected for audit by random sampling method. These were eight District Supply Offices (DSO) at Amravati, Beed, Chandrapur, Jalgaon, Nandurbar, Pune, Solapur and Thane; Food Distribution Officers (FDO), Pune and Solapur; and Controller of Rationing in Mumbai and Thane Rationing Area. Two talukas from each of the selected districts/rationing areas were selected for test check on random basis. Audit also undertook beneficiaries' survey jointly with the Department, covering 4,290 ration card holders from four FPS selected on random basis in each of the selected talukas/rationing areas to assess consumer satisfaction with regard to working of FPS, quality of foodgrains supplied *etc*. The period covered by audit was for five years from 2008-09 to 2012-13.

The audit objectives and the audit criteria adopted for the Performance Audit were discussed with the Principal Secretary, Food, Civil Supplies and Consumer Protection Department in an entry Conference held on 28 May 2013. An exit conference was held on 26 November 2013 with the Secretary of the Department wherein the audit findings were discussed. The reply furnished (November 2013) by the GoM has been suitably incorporated at appropriate places.

2.2.4 Audit objectives

The Performance Audit was conducted to seek an assurance whether:

- identification of beneficiaries and issue of ration cards were appropriate and effective;
- financial management was efficient;
- the system of allocation, lifting, transportation, storage and distribution of foodgrains was adequate and effective; and
- adequate and effective monitoring mechanism was in place.

2.2.5 Audit criteria

The audit criteria adopted were:

- Guiding principles prescribed by the GoI relating to identification of beneficiaries;
- Provisions of the PDS (Control) Order, 2001;
- Orders/instructions of the GoM for issue of ration cards, weeding out of bogus ration cards and units, scales of issue and quality of foodgrains;

- GoM norms for payment of transportation/incidental charges for foodgrains; and
- Prescribed monitoring mechanism.

2.2.6 Past audit coverage

A Performance Audit on Food Security, Subsidy and Management of foodgrains in the State had appeared in the Report of the Comptroller and Auditor General of India for the year 2005-06. The Action Taken Report of the Department on the recommendations (April 2012) of the Public Accounts Committee (PAC) was submitted to PAC in November 2013.

2.2.7 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the Department at various stages of conducting the Performance Audit.

Audit findings

2.2.8 Identification of beneficiaries

Under TPDS, the States are required to formulate and make arrangements for identification of the poor for delivery of foodgrains to them through FPS in a transparent manner. The audit findings on identification of BPL families and review of the ration cards are discussed in the succeeding paragraphs.

2.2.8.1 Improper identification of beneficiaries

As per the criteria fixed (November 1999/August 2001) by the GoM, families which were included in the Integrated Rural Development Project (IRDP) list of BPL families for 1997-98[30] having annual income less than ` 15,000 were eligible for issue of BPL cards under TPDS in rural areas, provided other conditions of not owning two wheelers or four wheelers, gas connections *etc*. were fulfilled. In urban areas, families having annual income less than ` 15,000 and fulfilling other conditions of not owning two wheelers or four wheelers, gas connections *etc*. were eligible for issue of BPL cards. The criteria of not owning two wheelers and gas connections were removed by the Department from May 2005. Audit scrutiny revealed the following:

- As per the PDS (Control) Order, 2001 , the list of BPL and AAY families was to be reviewed by the Department every year for the purpose of deletion of ineligible families and inclusion of new eligible families. The Department did not review the list of BPL and AAY families every year during the period 2008-13 except for special drives conducted in 2009 and 2011 which led to cancellation of 1.50 lakh and 1.25 lakh BPL cards during these two years.
- A survey of the beneficiaries was conducted by the Rural Development Department (RDD) in 2002 and a revised list of BPL families was published in November 2006. As per the revised list, the number of BPL families in the rural areas was 45.02 lakh. Comparison of the BPL

beneficiaries in rural areas done by the Department in January 2010 revealed that 26.69 lakh new families had become eligible as per the 2006 survey while 26.84 lakh families included in the earlier survey of 1997 were not found to be eligible. However, the list was not reviewed and revised and resulted in distribution of 42.23 lakh MT of foodgrains valuing ` 2,102.71 crore[31] to ineligible beneficiaries[32] during the period 2008-13 while 26.69 lakh BPL families were deprived of the benefits of subsidised foodgrains.

---

30 Based on the survey conducted by the Rural Development Department (RDD) in 1997

31 The quantity has been worked out considering the average lifting of rice and wheat for BPL beneficiaries and the amount has been worked out considering the issue price of rice and wheat

32 For 2008-09 and 2009-10 (26,83,607); 2010-11 (25,33,213); 2011-12 and 2012-13 (24,08,670)

- In the urban areas, survey of the beneficiaries was conducted by the Urban Development Department (UDD) in 2005 and the number of BPL families was finalised (May 2013) at 15.20 lakh.
- As against 59.67 lakh BPL families in the State as per the last survey finalised by RDD and UDD, the number of BPL card holders under TPDS was 67.82 lakh as of May 2013. Thus, there were 8.15 lakh excess BPL card holders in the State because the Department did not review the BPL cards based on the surveys conducted by RDD and UDD.

The Government stated (November 2013) that based on the survey conducted by RDD, 20 lakh appeals were filed and on finalisation of appeals by May 2013, 1.47 lakh households were deleted and 0.92 lakh households were added to the list and the net BPL households stood at 44.47 lakh. The total number of BPL households identified by RDD and UDD by May 2013 was thus, 59.67 lakh (44.47 lakh + 15.20 lakh). The Government added that the BPL survey data prior to finalisation of appeals, if adopted, would have resulted in decrease in coverage of BPL beneficiaries resulting in forgoing of benefits of highly subsidized foodgrains under the Scheme.

The reply is not acceptable as the objective of the Government was to distribute the subsidized foodgrains only to eligible beneficiaries. Further, even after finalisation of appeals, the total BPL families in the State stood at 59.67 lakh while there were 67.82 lakh BPL card holders as of May 2013.

2.2.8.2 Review of ration cards

As per the PDS (Control) Order, 2001, a ration card shall be valid for a period of five years from the date of issue unless it is suspended or cancelled earlier. Further, a ration card shall be issued afresh or renewed after fresh verification of antecedents and such other checks as may be prescribed by the GoM. Audit scrutiny revealed the following:

- In four test-checked units (DSOs Beed, Nandurbar, Jalgaon and Thane Rationing Area), ration cards were issued to the applicants on the basis of self-declarations and affidavits. The Department did not coordinate with other Government Departments *viz*., Revenue Department and Regional Transport Office to ascertain the correctness of information provided in the application forms with regard to ownership of four wheelers, land holding details *etc.* to facilitate weeding out of ineligible cards.
- There were instances where the cards were issued on the basis of incomplete information furnished in the application forms, non-declaration of income and non-authentication by the rationing authorities of districts/rationing areas.
- In four test-checked units (Amravati, Beed, Jalgaon and Nandurbar) account of blank ration cards was not maintained and the stock of ration cards was also not physically verified during the period 2008-13 . Due to improper maintenance of ration cards, the possibility of unauthorized use of ration cards could not be ruled out.

The Government stated (November 2013) that detailed instructions regarding precautions to be taken while issuing ration cards, procedure to be followed for taking proper care of blank ration cards *etc.* has been issued in June 2013.

2.2.9 Financial management

The Department operates a Personal Ledger Account (PLA) which is maintained by the Financial Advisor and Deputy Secretary. PLA is also maintained by each DSO into which funds are transferred by the Financial Advisor and Deputy Secretary. The budget estimates and the actual expenditure of the Department under revenue and capital heads during 2008-09 to 2012-13 were as under:

Table1: Capital and revenue budget and expenditure

(` in crore)

Year	Revenue		Capital		Excess (+)/Savings (-)	
	Final Budget	Actual Expenditure	Final Budget	Actual Expenditure	Revenue	Capital
2008-09	580.28	481.44	2115.31	2315.40	-98.84	+200.09
2009-10	683.81	675.79	4009.86	3778.50	-8.02	-231.36
2010-11	736.78	734.54	4124.37	3672.27	-2.24	-452.10
2011-12	431.41	431.65	3871.67	3416.92	+0.24	-454.75
2012-13	484.51	477.69	4139.31	3254.40	-6.82	-884.91

(Source: Information furnished by the Department)

The Department stated (November 2013) that the excess of capital expenditure over the budget estimates during 2008-09 was met from funds in the PLA and the excess was due to purchase and distribution of palm oil, rice and wheat to prevent increase in prices. The Department also added that the savings during the period 2009-13 were due to technical problems in the Budget Distribution System (2009-10), late receipt of funds (2010-11), reduction in number of beneficiaries subsequent to drive conducted by the Department to review the ration cards (2009 and 2011) and late issue[33] of order by GoM for district-wise allocation of foodgrains for the month of April 2013.

2.2.9.1 Irregular drawal of subsidy

Subsidy is given by the GoM for the difference in price between CIP plus handling and administrative charges and the ex-godown price. The handling and administrative charges was fixed vide Government Resolution (GR) of November 1992 at 12 *per cent*, five *per cent* and six *per cent* on purchase price of foodgrains, palm oil and other commodities respectively. The total subsidy received by the Department during 2008-13 was ` 1,904.31 crore. Audit scrutiny revealed the following:

- The percentage of handling and administrative charges for distribution of rice and wheat under AAY Scheme during 2009-12 was reckoned at 20 *per cent* instead of 12 *per cent* specified by the GoM in 1992, resulting in excess subsidy to the extent of ` 41.25 crore.

- During the period 2009-12, the Department without considering previous years' lifting of foodgrains, budgeted the subsidy based on the number of ration cards and entitlement of foodgrains per card and received a total of ` 1 ,284.42 crore as subsidy. The actual subsidy worked out (August 2012)

[33] Order was issued on 31 March 2013

by the Department was ` 591.92 crore[34] for this period, resulting in irregular drawl of subsidy of ` 692.50 crore, which was lying in PLA.

- An amount of ` 619.89 crore was received as subsidy by the Department for the year 2008-09 and 2012-13. However, the actual subsidy was not worked out by the Department as claims from districts were awaited.

The Government stated (November 2013) that the handling and administrative charges as a percentage of the CIP under AAY works out lower than BPL due to lower CIP of foodgrains under AAY, though the handling and administrative charges remains the same under both the Schemes. Government further stated that the balance subsidy of ` 692.50 crore would be adjusted on finalisation of subsidy accounts on APL/BPL sugar, turdal and palm oil for the period 2009-12 under intimation to Finance Department.

The reply is not acceptable as the GR of November 1992 stipulated levy of 12 *per cent* handling and administrative charges irrespective of the purchase price of foodgrains. Further, the final adjustment of the balance subsidy of ` 692.50 crore was awaited in audit (January 2014).

2.2.9.2 Non-disposal of empty gunny bags

As per the directives issued by GoM (November 1999), the stock of empty gunny bags used for carrying foodgrains was required to be disposed off through tendering/auction every year. Scrutiny of records in nine out of 11 test-checked units revealed that 25.56 lakh empty gunny bags[35] were lying for more than a year as on May 2013. Further, non-disposal of empty gunny bags resulted not only in blocking of Government revenue to the extent of ` 1.59 crore (based on the rates received in the last tender) but also led to their deterioration.

The Government stated (November 2013) that all the District Collectors have been instructed (July 2013) to review the stocks of empty gunny bags and take necessary action for their disposal.

2.2.9.3 Advances outstanding with Food Corporation of India

Based on the monthly allocation of foodgrains made by GoI under TPDS, the foodgrains are to be lifted by the DSOs/FDOs from FCI depots after making full advance payment towards the cost of foodgrains. On failure of the DSOs/FDOs to lift full quantity of foodgrains, the cost towards the unlifted quantity was to be claimed from FCI. Scrutiny of records relating to advances paid to FCI in the test-checked units revealed that advances amounting to ` 77.96 crore were pending adjustment/ recovery from FCI in eight units[36] as on 31 March 2013 of which, ` 11.44 crore was pending adjustment/recovery for more than three years.

The Government stated (November 2013) that as on October 2013, out of ` 77.96 crore, ` 64.15 crore has been recovered from FCI.

---

[34] BPL ` 266.86 crore, AAY ` 275.13 crore and APL ` 49.93 crore

[35] Includes serviceable (5.64 lakh), unserviceable (17.52 lakh) and pieces of gunny bags (2.40 lakh)

[36] Amravati, Beed, Mumbai and Thane Rationing area, Jalgaon, Nandurbar, Pune, Solapur and Thane

2.2.10 Allocation and distribution of foodgrains and other commodities

The allocation of foodgrains under the TPDS is done by GoI considering the number of BPL and AAY beneficiaries. The foodgrains so received from GoI is allotted monthly to the districts based on the number of beneficiaries in the districts. The foodgrains are lifted by the DSOs from the FCI depots after making advance payment. The lifting of foodgrains from the FCI depots and their transportation to various godowns in the talukas is arranged by the DSOs through private transport contractors. The FPS remits the cost of foodgrains in the treasury, based on the foodgrains allotted by the talukas during the month. The foodgrains are thereafter, lifted by the FPS owners for distribution to the card holders at the price fixed by the Department. In Mumbai and Thane rationing area and FDO Pune, the foodgrains are lifted by the Association of FPS/FPS directly from FCI depots and distributed to card holders.

2.2.10.1 Discrepancies in allocation and lifting of foodgrains

Comparison of the figures of allotment and lifting of foodgrains as furnished by FCI and the Department for the period 2008-13 revealed discrepancies as shown in **Appendix 2.2.2** and summarised in **Table 2**.

Table 2: Discrepancies in allocation and lifting of foodgrains

(in 10,000 MT)

Category of card holders	Departmental figures less than FCI figures		Departmental figure more than FCI figures	
	Allocation	Lifting	Allocation	Lifting
APL	0	17.20	116.60	5.14
BPL	37.05	36.73	60.35	1.70
AAY	5.58	11.66	1.83	0

(Source: Information furnished by Department and FCI)

The discrepancies in allotment and lifting of foodgrains need to be reconciled and investigated to ensure that no unauthorised diversion of foodgrains had taken place.

2.2.10.2 Non-lifting of allotted foodgrains from FCI

The foodgrains are required to be lifted from FCI depots within 10 days of the receipt of allocation orders from GoI. On failure of the DSOs to lift the allotted quantity of foodgrains from FCI depots within the stipulated time period, the non-lifted quantity of foodgrains lapses. Audit scrutiny revealed the following:

- During 2008-13, 16.09 lakh MT (16.05 *per cent* of the allotment) of rice and wheat under BPL and 5.01 lakh MT (9.86 *per cent* of the allotment) of rice and wheat under AAY lapsed due to non-lifting of the allotted quantity of foodgrains **(Appendix 2.2.3)**.
- In the 11 test-checked units, 9.24 lakh MT (12.76 *per cent* of the allotment) of rice and wheat under BPL and 4.62 lakh MT (10.84 *per cent* of the allotment) of rice and wheat under AAY lapsed due to non-lifting of the allotted quantity of foodgrains **(Appendix 2.2.4).** This resulted in beneficiaries being deprived of foodgrains to that extent.

The Government attributed (November 2013) the reasons for non-lifting/shortlifting of foodgrains to labour problems, unloading of rakes at FCI godowns, non-lifting during holidays, non-availability of foodgrains at FCI godowns and non-cooperation of FCI staff. The Government added that efforts are being made to sort out the issue in consultation with FCI.

2.2.10.3 Avoidable extra expenditure on purchase of rice from open market

The GoM decided (June 2008) to distribute five kg of rice per month per card to APL beneficiaries (saffron card) at subsidised rates for three months for providing relief from inflation in essential commodities. As per the decision, the Scheme was to commence from July 2008 and implemented through Maharashtra State Co-operative Marketing Federation Limited (Marketing Federation). Rice was to be procured at ` 16,816 per MT from the Marketing Federation which was also responsible for its transportation to Government godowns. An order was placed on the Marketing Federation for supply of 70,000 MT followed by orders for 43,103 MT (August 2008) and 5,568 MT (September 2008) considering the demands from the districts. Against the total ordered quantity of 1.19 lakh MT[37], the Marketing Federation supplied only 66,994 MT up to December 2008. Audit observed the following:

- During 2008 -09, against the total allocation of 51,287 MT of rice by the GoI, the lifting was only 36,785 MT (72 *per cent*) . Purchase of rice from the Marketing Federation without lifting the full quantity allocated by GoI resulted in procurement of at least 14,502 MT of rice at higher prices from the Marketing Federation, leading to an avoidable extra expenditure of ` 10.91 crore[38].
- Despite time extension, the Marketing Federation supplied only 0.96 lakh MT as against the ordered quantity of 1.19 lakh MT thus, defeating the objective of providing relief to APL card holders from inflation.

The Government stated (November 2013) that due to meagre allotment of rice by the GoI prior to 2008-09, the GoI was requested to provide additional allocation of rice, which was not provided. Therefore, GoM decided to procure additional rice from the Marketing Federation for the APL card holders. The reply is not acceptable as full allocated quota of rice for APL beneficiaries of 51,287 MT during the year 2008-09 was not lifted from the FCI before placing orders with the Marketing Federation at higher rates.

2.2.10.4 Non-testing of quality of foodgrains

To ensure the prescribed quality of foodgrains, the PDS (Control) Order, 2001 stipulates that before making payment to FCI, the representatives of the State Governments or their nominees and FCI should conduct joint inspection of the stocks of foodgrains. The PDS (Control) Order, 2001 further provides that FCI

---

[37] Up to 30 September 2008: 70,000 MT; Up to 30 December 2008: 43,103 MT; and Up to 10 January 2009: 5,568 MT

[38] ` 16,816 per MT procurement cost from Marketing Federation less ` 9,296 per MT CIP of APL rice from GoI (including 12 *per cent* handling and administrative charges) = ` 7,520 per MT * 14,502 MT = ` 10.91 crore

should issue to the State Governments stack-wise sealed samples of the stock of foodgrains. Audit observed that joint inspections were not conducted by any of the units test-checked, except Controller of Rationing, Mumbai. Further, stack-wise sealed samples of the stock of foodgrains were also not obtained by the Department in all the test-checked units. In view of non-adherence to the quality checks prescribed in the PDS (Control) Order, 2001, there was no guarantee that foodgrains of requisite quality was distributed under TPDS.

The Government stated (November 2013) that the District officials lift the foodgrains after joint inspection. However, no documentary evidence relating to joint inspections having been conducted were made available to audit. Further, the reply did not address the issue of non-receipt of stack-wise sealed samples from the FCI.

2.2.11 Allocation and distribution of sugar

GoI allocates sugar to the GoM every year for distribution under TPDS. The sugar nominees appointed by the District Collectors lift levy sugar[39] from the sugar factories designated by the GoI at prices fixed by the GoI and distribute to the BPL and AAY cardholders through FPS.

Scrutiny of records relating to the allocation and distribution of sugar revealed that against the allocation of 12.98 lakh MT during 2008-13, the lifting of sugar was only 8.75 lakh MT. The shortfall in lifting was 4.23 lakh MT (32.59 *per cent)*. In the beneficiaries' survey conducted by Audit jointly with the Departmental officials, 10 *per cent* of the BPL beneficiaries complained of short-supply/non-supply of sugar. Further information provided by the Department and the test-checked units revealed discrepancies in allocation and lifting of BPL sugar during 2008-13 and APL[40] sugar during 2009-10 and 2010-11, as shown in **Appendices 2.2.5** and **2.2.6** and summarised in **Table 3** below.

Table 3: Discrepancies in allocation and lifting of sugar

(in quintal)

Category of card holders	Departmental figures less than that provided by test-checked units		Departmental figures more than that provided by test checked units	
	Allocation	Lifting	Allocation	Lifting
BPL	94479	133056	201786	125642
APL	434808	358435	552439	503858

(Source: Information furnished by Department and selected units)

The discrepancies in allocation and lifting of sugar in the test-checked units and the Department indicated lack of proper monitoring and the possibility of diversion of sugar cannot be ruled out.

The Government attributed (November 2013) the short lifting of sugar to non-availability of sugar in sugar factories, refusal to supply sugar by the sugar factories, non-lifting of quota by the sugar nominees *etc*. The Government further stated that the concerned District Collectors have been permitted to file cases against the erring sugar factories and issue notices for cancellation of licenses and forfeiture of security deposits of sugar nominees.

[39] Of the total production in the sugar factory, 10 *per cent* sugar is reserved as levy sugar for distribution under TPDS

[40] Sugar was allocated to APL card holders in 2009-10 and 2010-11 only

2.2.11.1 Blocking of funds on account of delay in reimbursement of sugar subsidy

The price at which the sugar nominees sell sugar to FPS and the price at which the FPS issue sugar to card holders are fixed by GoI. The cost of purchase of sugar by the sugar nominees including handling and transportation charges and margin, less sales realization from FPS is claimed as subsidy by the sugar nominees from the Department. The Department in turn, prefers the claim with GoI (FCI) for reimbursement of the cost paid to the sugar nominees.

Scrutiny of records relating to sugar subsidy revealed that claims amounting to ` 73.68 crore preferred by the Department with GoI pertaining to period 197980 to 2011-12 were outstanding as on November 2013. Audit scrutiny also revealed that claims for the period 2008-2009 to 2011-2012 were submitted by the Department to GoI after a lapse of six months to one year of the closure of the financial years while claim for the year 2012-2013 was not submitted as of November 2013.

The Government stated (November 2013) that reimbursement claims for levy sugar is to be submitted after receipt of monthly accounts from all the districts and steps are being taken to speed up the submission of claims.

2.2.12 Allocation of kerosene oil

The Ministry of Petroleum and Natural Gas, GoI allocates quota of KO to each State based on their demand, at subsidised rate. The State in turn allocates KO to the districts based on the demand of the districts. Based on the allocation, KO dealers[41] appointed by GoI lift KO from depots of oil companies of GoI and distribute the same to the FPS. The sale price to the card holders is fixed by each district after considering various factors *viz.*, the ex-depot price of KO and other incidental charges like commission of the dealers/FPS, shortage due to temperature variation and handling, transportation charges, toll tax and octroi *etc*.

The demand raised by the State and allocation of KO made by GoI during 2008-13 was as given below:

Table 4: Demand and allocation of KO

(in kilo litres)

Year	Demand	Allocation	Shortfall in percentage
2008-09	23,05,739	16,40,316	29
2009-10	23,05,739	16,40,412	29
2010-11	23,05,739	15,64,176	32
2011-12	22,75,907	12,58,872	45
2012-13	21,71,568	9,45,720	56

(Source: Information compiled by audit from data furnished by Department)

The shortfall in allocation of KO ranged between 29 and 56 *per cent* during the period 2008-09 to 2012-13. Considering the short-allocation of KO by GoI and the fact that the quantum of KO to be distributed was based on the number of persons per card and the number of gas cylinders held, it was necessary to review the ration cards from time to time to weed out ineligible beneficiaries for ensuring proper distribution of KO. This was however, not done as evident

[41] The kerosene oil dealers are private individuals or cooperative societies

from the table above which showed that the demand for KO during the first three years (2008-09 to 2010-11) remained stagnant at 23.06 lakh Kilo litres (KL) and then reduced to 22.76 lakh KL in 2011-12 and to 21.72 lakh KL in 2012-13.

Audit scrutiny further revealed that the number of households in the State having two gas cylinders, as per the data of oil companies, was 92.23 lakh as against 42.79 lakh assessed by the Department. Moreover, the number of households in the State having piped gas connection (as per data of Mahanagar Gas Limited) was 5.83 lakh (March 2013) which was not considered by the Department while identifying the eligible beneficiaries. Thus, proper targeting of eligible beneficiaries for supply of KO was not done.

The Government stated (November 2013) that instructions have been issued in May 2012 to all the districts to stamp the ration cards of all those beneficiaries holding gas cylinders, by August 2012. Thereafter, the exact number of beneficiaries holding gas cylinders would be available. The fact remained that stamping of ration cards was not complete as of November 2013 thus, delaying the process of weeding out of ineligible beneficiaries for allocation of KO.

It was also observed that allocation done by the Department to districts was not commensurate with the demands raised by the districts and varied between 50.82 *per cent* (Pune) and 77.57 *per cent* (Yavatmal) as detailed in **Appendix 2.2.7**.

2.2.12.1 Discrepancies in allocation and release of KO as per data of State Level Coordinator of oil companies and the Department

The details of allocation and release of KO as per the data of State Level Coordinator (SLC) of oil companies and the Department during the period 2008-13 is given below.

Table 5: Discrepancies in allocation and release of KO during 2008-13

(in kilo litres)

Year	As per State Level Coordinator of oil companies		As per Department		Difference	
	Allocation	Release	Allocation	Release	Allocation	Release
1	2	3	4	5	6 (4-2)	7 (5-3)
2008-09	16,40,786	16,40,256	16,40,316	16,39,668	-470	-588
2009-10	16,40,416	16,40,546	16,40,412	16,38,273	-4	-2273
2010-11	15,64,176	15,62,744	15,64,176	15,57,927	0	-4817
2011-12	12,58,812	12,57,085	12,58,872	12,62,984	60	5899
2012-13	9,45,720	9,45,036	9,45,720	9,49,468	0	4432
Source: Information furnished by SLC of oil companies and Department						

From the above table it can be seen that figures of KO releases of the Department were lower than those of oil companies by 7,678 KL during the period 2008-11, while the figures of KO releases of the Department were higher than those of oil companies by 10,331 KL during 2011-12 and 2012-13. Also, the figures of allocation of KO of the Department were lower than those of oil companies during 2008-10 by 474 KL, while it was more by 60 KL during 2011-12.

The Department needs to reconcile the discrepancies in allotment and release of KO with the oil companies to ensure that unauthorized diversion of KO does not take place.

2.2.12.2 Non-commencement of direct transfer of cash subsidy on kerosene

The Ministry of Petroleum and Natural Gas (GoI), based on the recommendations of the Task Force constituted under the Chairmanship of Unique Identification Authority of India (UIDAI), decided (October 2011) to implement the Scheme of Direct Transfer of Cash Subsidy on Kerosene (DTCK) in the States to reduce the diversion of KO and at the same time ensure that beneficiaries get the benefit of subsidy on PDS KO directly in their bank accounts. The States were to establish an institutional mechanism for cash transfer of KO subsidy to the bank account of the ration card holders. The Ministry of Finance, GoI fixed a lump sum one time grant of ` 100 crore for the States which joined DTCK prior to 31 March 2012.

GoM agreed to implement the Scheme in March 2012 and GoI instructed (July 2012) to expedite the work of opening of bank accounts of the beneficiaries in six districts of Maharashtra *viz.*, Wardha, Mumbai, Mumbai Suburbs, Amravati, Pune and Nandurbar. The Scheme was to be implemented throughout the State by 31 March 2013. GoI released grant of ` 10 crore in March 2013 while the next instalment of ` 50 crore was to be released only after self-certification of completion of one month of movement of KO at full retail sale price in the entire State. Scrutiny of records revealed the Department initiated steps to implement the Scheme in August 2012. However, till March 2013, the bank accounts of beneficiaries were opened only partially in three districts of Amravati (51 *per cent*), Nandurbar (66 *per cent*) and Wardha (71 *per cent*).

The Government stated (November 2013) that the Scheme was not implemented from July 2013 as its concerns over transfer of subsidy outside the budgetary procedure on lines of MGNREGA and the infrastructure required for electronic capturing of sale transactions from KO retailers at market price were not resolved by GoI.

The fact, however, remained that despite commencement of the Scheme from August 2012 and release of ` 10 crore by GoI, DTCK could be implemented partially only in three out of six districts in the State and the objective to reduce diversion of KO and direct transfer of cash subsidy into the bank account of the beneficiaries was not achieved.

2.2.12.3 Delay in implementation of Vehicle Tracking System

The Ministry of Petroleum and Natural Gas (GoI) requested (February 2011) the GoM to install Global Positioning System[42] based Vehicle Tracking System (VTS) for tracking the movements of vehicles/tankers carrying PDS KO. The system was to generate alerts for route and time deviations in respect of vehicles carrying PDS KO and thus, expected to act as an effective tool in warding off incidences of en-route pilferage and diversion. The GoI offered

[42] It is a satellite based navigation system that provides location and time information of any moving object in all-weather conditions, anywhere on or near the earth

technical and institutional support from the oil marketing companies in this regard and intimated (March 2011) that the approximate cost of installation of VTS on each vehicle would be ` 13,000, to be borne by GoM and the oil companies.

Audit observed that though VTS was installed on 1,068 out of 1,107 vehicles throughout the State by November 2013 at a total cost of ` 1.39 crore, only 34 vehicles installed with VTS in Kolhapur district were operational.

The Government while accepting (November 2013) the facts attributed the non-working of VTS in other districts to technical problems. Since 97 *per cent* of the VTS installed in vehicles/tankers were non-functional, the objective to curb leakages/diversion of PDS KO was not achieved.

2.2.13 Poor coverage in distribution of palm oil

The Department decided (June 2008) to distribute GoI subsidized palm oil to all the eligible beneficiaries, except APL white card holders, at the rate of one litre per card per month. The palm oil procured from the State Trading Corporation (STC) was to be transported to Government godowns by the Marketing Federation for final distribution to card holders.

Audit scrutiny revealed that the supply of palm oil was not regular. As against the average monthly requirement of 5,536.06 KL of palm oil in the eight testchecked units[43], the average monthly allotment was only 1,213.91 KL (21.93 *per cent*) during 2008-09 to 2012-13. The actual distribution of palm oil was also very poor. Only 8.78 to 34.22 *per cent* of the eligible card holders were distributed palm oil in eight test-checked units. In the beneficiaries' survey conducted by Audit jointly with the Departmental officials, 98 *per cent* of the beneficiaries complained of short/non-supply of palm oil.

The Government stated (November 2013) that supply of subsidized palm oil remained irregular due to time taken for agreement with the Central Public Sector Undertaking, import of oil, availability, actual shipment, packing and distribution to the beneficiaries.

2.2.14 Delay in implementation of the Scheme for improving the system of delivery of foodgrains to FPS and card holders

In order to improve the delivery mechanism of foodgrains under TPDS, the Scheme of door- step delivery of foodgrains to FPS was being implemented by the GoM in tribal and drought prone areas since March 1993 and March 1998 respectively, by transporting the foodgrains from Government godowns to the FPS through Government owned/hired vehicles operated by Tribal Development Corporations (TDC) and Marketing Federations on contract basis.

The Scheme was extended to all the districts by July 2003 but discontinued from October 2005, which was contrary to the recommendations of the GoI of April 2005 to institute an efficient and effective delivery mechanism for distribution of foodgrains through door-step delivery. The GoM belatedly constituted (July 2009) a Committee to study the difficulties in

[43] DSOs at Amravati, Beed, Chandrapur, Jalgaon, Nandurbar, Pune, Solapur and Controller of Rationing in Mumbai and Thane Rationing Area

implementation of the door-step delivery Scheme and to suggest remedial measures to make the delivery mechanism more effective. The Committee gave its recommendations in February 2010 and based on these recommendations, the GoM formulated a new Scheme namely 'Dhanya Hami Yojana' only in February 2012 which envisaged transportation of foodgrains from Government godowns to the FPS/village square/public place on a designated day for direct distribution to BPL and AAY card holders[44], installation of GPS on vehicles carrying foodgrains *etc*.

The Government stated (November 2013) that the delay in constitution of Committee as well as formulation of new Scheme was due to administrative reasons. The Government added that a number of court cases were filed on the implementation of the new Scheme. The fact remained that delay in constitution of the Committee led to delay in formulating the new Scheme by the GoM and delayed the improvement of the system of delivery of foodgrains to FPS and the card holders by more than six years (April 2005 to February 2012).

2.2.14.1 Non-claiming of octroi wrongly paid to FCI

As per provisions of Section 146 (1) of Bombay Provincial Municipal Corporations (BPMC) Act, 1949 read with Section 194 (1) of Mumbai Municipal Corporation (MMC) Act, 1888, no octroi shall be leviable on any article which, at the time of its importation, is certified by an officer empowered by the Government concerned in this behalf to be the property of the Government to be used or intended to be used solely for public purposes and not to be used or intended to be used for purposes of profit. Further, subsection (2) of both the Acts provide that if any article on which octroi is paid is imported under a written declaration signed by the importer that such article is being imported for the purpose of fulfilling a specified contract with the Government or otherwise for the use of the Government or solely for public purpose, the full amount of duty paid thereon shall be refunded.

Scrutiny of accounts of the Department for the year 2008-12[45] revealed that octroi amounting to ` 6.55 crore[46] was paid by the Department to FCI along with the cost of foodgrains in 13 districts. However, the Department did not claim any refund from FCI under the provisions contained in sub-section (2) of the above Acts.

The Government stated (November 2013) that octroi was paid to FCI under the provisions of Section 127 (2) (a) and 149 (1) of the BPMC Act, 1949.

The reply is not correct as no octroi is leviable on foodgrains as per the provisions of Section 146 (1) of BPMC Act, 1949 and Section 194 (1) of MMC Act, 1888.

[44] The distribution of foodgrains under the Scheme to BPL and AAY card holders was to be done provided 60 *per cent* of the BPL and AAY card holders attached to FPS agree and pay for lifting of three months foodgrain quota

[45] Accounts of 2012-13 was not finalized (January 2014)

[46] 2008-09: ` 2.07 crore; 2009-10: ` 1.41 crore; 2010-11: ` 1.75 crore; and 2011-12: ` 1.32 crore

2.2.15 Delay in construction of godowns

The foodgrains transported from FCI depots are stored in Government godowns for further distribution to card holders through FPS. The storage capacity of 931 godowns[47] actually used for storage of essential commodities under TPDS in the Maharashtra State was 5.26 lakh MT as on June 2012.

Since the existing capacity of the godowns was sufficient to store foodgrains only for 43 days, the Department decided to augment the storage capacity of the Government godowns considering the storage requirement for two more months and future increased allocations. The GoM prepared (March 2012) an action plan to construct 584 additional godowns in 34 districts to augment the storage capacity by 5.95 lakh MT at a total outlay of ` 484.13 crore, which was sanctioned under Rural Infrastructure Development Fund of National Bank for Agriculture and Rural Development (NABARD) in March 2012. The loan component from NABARD was ` 459.93 crore while balance fund of ` 24.20 crore was to be provided by GoM. All the 584 godowns were scheduled for completion by March 2014.

NABARD released mobilisation advance of ` 91.98 crore (20 *per cent*) in March 2012 and balance amount was to be reimbursed based on actual expenditure incurred on the project. The funds released by NABARD were deposited in the Consolidated Fund of the State which was to be released by the Finance Department, GoM after making budgetary provisions every year.

Scrutiny of records revealed that of the 128 godowns for which funds were released by Finance Department, construction of only 31 godowns was complete as of November 2013; work on eight godowns could not commence due to non-availability of land; work on 66 godowns were in progress; estimates were under preparation for one godown; and tendering process was in progress for 22 godowns. Considering the pace with which the work of construction of godowns is progressing, it is highly improbable that the timeline of March 2014 for completion of all the 584 godowns would be achieved thus, defeating the objective of creation of additional storage capacity for foodgrains.

The Government while admitting the unsatisfactory progress of construction of godowns, stated (November 2013) that administrative approval had been granted to construction of 234 godowns having capacity of 3.24 lakh MT.

2.2.15.1 Non-insurance of foodgrains stored in godowns

As per the Finance Department, GoM orders of February 1966, foodgrains stored in Government godowns need to be insured. Scrutiny of records in seven[48] out of 11 test-checked units revealed that foodgrains stored in 199 godowns with an aggregate storage capacity of 1.05 lakh MT were not insured by the Department.

---

47 Capacity of 1,024 Government owned godowns: 5.62 lakh MT less 192 not useable godowns : 0.78 lakh MT less 11 hired out Government godowns: 0.06 lakh MT plus 110 hired godowns by Government:0.48 lakh MT

48 DSOs at Amravati, Beed, Chandrapur, Jalgaon, Nandurbar, Thane and FDO, Solapur

The Government stated (November 2013) that instructions have been issued to the DSOs and FDOs for insuring the foodgrains stored in Government/hired godowns.

2.2.16 Monitoring

With a view to ensuring proper functioning of TPDS, the PDS (Control) Order, 2001 emphasised the need for adequate monitoring through different mechanisms such as, inspection of shops, formation of Vigilance Committees, rendition of periodical returns, use of computerised system *etc*.

2.2.16.1 Shortfall in inspections of godowns

The GoM in its Circular dated May 2006, reiterated the need for detailed inspection of accounts of godowns as well as foodgrains stored in the godowns by various inspection authorities in the districts and also by the two Godown Inspection Squads (GIS) of Supply Commissioner, Mumbai. The GIS were expected to verify the stocks, scientific stacking of bags, fumigation *etc*. during such inspections. Each GIS was required to visit 200 godowns every year. The Office of the Supply Commissioner was required to furnish a consolidated report of the annual inspections to the GoM.

Scrutiny of records revealed that the two GIS inspected only 739 godowns during 2008-13 as against 2,000 godowns to be inspected in this period. Thus, there was shortfall of 63 *per cent* in inspection of godowns by GIS. The consolidated annual reports on inspection of godowns were also not furnished to GoM during 2008-13.

The Government stated (November 2013) that due to shortage of staff, the norms for inspection of godowns by two GIS was decided to be revised to 100 inspections *per annum* by the Principal Secretary, Food, Civil Supplies and Consumer Protection Department in October 2007. It was further stated that 1,287 godowns were inspected during 2008-09 to 2012-13.

The reply is not acceptable as the amendment to GoM Circular of May 2006, reducing the quantum of inspections to be conducted by the GIS, was not issued. Further, reduction in the number of godowns to be inspected per GIS was likely to render the monitoring mechanism weak. Re-verification by Audit revealed that only 739 godowns were inspected by the two GIS, as against 1,287 claimed by the Government.

2.2.16.2 Deficient inspection of fair price shops and ration cards

As per Clause 8 of the PDS (Control) Order, 2001 read with paragraph 6 of the Annexe, the State Governments were to ensure regular inspections of FPS *i.e.* not less than once in six months by the designated authority. The State Governments were also to issue orders specifying the inspection schedule, list of check points and the authority responsible for ensuring compliance to such orders. Further, the GoM, with a view to making inspection of FPS more effective, directed (April 2005) that the Supply Inspector was to verify at least 50 ration cards during FPS inspection by calling the beneficiaries or by conducting home visits. The shortfall in inspection of FPS was pointed out in the Report of Comptroller and Auditor General of India (Civil) for the year ended March 2006. Audit scrutiny revealed that shortfall in inspection of FPS continued as detailed below.

- During the period January 2008 to December 2012, against 5.10 lakh inspections of FPS to be carried out, only 3.11 lakh inspections were conducted by the Department, leading to a shortfall of 39.02 per cent in inspections. The fact that through inspections of FPS the Department had collected (January 2008 to March 2013) fines amounting to ` 5.37 crore from the owners of FPS for various lapses, clearly showed that it was paramount for the Department to ensure that the requisite number of inspections should have been conducted. Audit further observed that of the total number of FPS inspected by the Department, lapses were detected in 91 *per cent*, 55.17 *per cent* and 53.73 *per cent* FPS in Parbhani, Aurangabad and Solapur districts respectively.
- In the 11 test-checked units the shortfall in inspection of FPS ranged between one *per cent* (Mumbai Rationing Area, 2011) and 79 *per cent* (DSO, Pune, 2008).

- In none of the test-checked units the required verification of 50 ration cards was carried out. Three units[49] stated that verification of the ration cards was done, but could not produce any documentary evidence to Audit to support the claim.

The Government stated (November 2013) that instructions were issued from time to time to the District Collectors to initiate disciplinary action against officials who failed to conduct the prescribed inspections of FPS. Audit however, observed that in the test-checked units, no disciplinary action was taken against officials despite their failure to conduct the requisite number of inspections.

2.2.16.3 Shortfall in constitution of Vigilance Committees

As per PDS (Control) Order, 2001 and GR of January 2008, Vigilance Committees (VC) at the Village/FPS, Taluka, District, Municipal Council, Municipal Corporation and State levels were to be constituted to monitor the distribution of commodities under PDS. The functions of the VCs included monitoring the allocation, lifting and distribution of foodgrains, checking the quality of foodgrains, inspection of records of FPS and reporting on the complaints received from the card holders. The meetings of the VCs at all levels were required to be held at least once a month except at State level, where it was required to be held once in two months.

The details of VCs required to be constituted, actually constituted and the shortfalls are shown in **Table 6**.

Table 6: Shortfall in constitution of Vigilance Committees

Levels	No. of Vigilance Committee s			
	To be constituted	Actually constituted	Shortfall	Shortfall in percentage
Village/FPS	43924	31650	12274	27.94
Taluka	351	326	25	7.12
Municipal Corporation	77	74	3	3.90
Municipal Council	221	186	35	15.84

(Source: Information furnished by the Department)

[49] DSOs at Pune and Solapur; FDO at Pune

As could be seen from Table above, there was shortfall in the constitution of 12,274 village level VCs, 25 Taluka level VCs and 38 Municipal Corporation and Municipal Council level VCs in the State as on March 2013.

Further, the VCs did not hold regular monthly meetings and the shortfall in conducting the meetings ranged between 29 *per cent* and 70 *per cent* during the period 2011-13. Besides, only four out of 30 meetings of the State level VCs were held during the period 2008-13. In the beneficiaries' survey, 95 *per* *cent* of the beneficiaries stated that they were not aware of the existence of VCs.

Non-constitution of VCs at various levels, non-holding of periodical meetings and lack of awareness of the beneficiaries about the existence of VCs indicated deficient monitoring of the Scheme.

The Government stated (November 2013) that appointment of the nonGovernmental members in the VCs at different levels was a time consuming process. The Government further stated that the District Collectors were instructed to take action against the member Secretaries who failed to hold the VC meetings. It added that instructions have been issued to hold VC meetings on every *Lokshahi Din*[50] which should be widely publicised.

2.2.16.4 Computerisation of TPDS

The Department appointed (March 2006) M/s 3i Infotech Limited as consultant for computerization of TPDS. The work was awarded for ` 24.26 lakh and the scope of work included study and data capturing, bid process management, coordination and monitoring the implementation along with training. Payment was to be made to the consultant as per stages of completion of work. The Department paid (October 2008) ` seven lakh of the ` 10.92 lakh claimed by the consultant.

Tenders were invited (June 2007) for setting up the infrastructure and development of computer software, which included issue of paper-based ration card with photo of the head of the family along with a barcode and hologram for unique identification, finger prints of all the members of the family in the computerized database, supply of hand-held machines[51] to all FPS, computers at Taluka and godown levels for accounting *etc*. The costs were to be recovered from the card holders by charging for issue/re-issue of ration cards and other related services.

The offer of M/s Spanco Telesystem Solution Limited (STSL) as a Total Service Provider on Built, Operate, Own and Transfer (BOOT) basis at ` 124.98 crore was found to be the lowest. The proposal for awarding the contract was forwarded (February 2008) to the Principal Secretary (Financial Reforms) for approval, who recommended the use of smart card biometric technology instead of barcode provided for in the tender. The recommendations of the Principal Secretary (Financial Reforms) were not accepted by a High Power Committee (February 2008) due to high cost of implementation of the project involving smart card technology. Eventually, an

[50] The day designated for resolving the public grievances at Taluka/Collector/Municipal Commissioner/Divisional Commissioner/Mantralaya level

[51] Hand held machine records the sale of the goods to card holders by reading the bar code

agreement was signed (September 2008) with STSL at a cost of ` 124.98 crore for a period of three years up to September 2011 after which, the assets were to be transferred to the Department.

It was seen in audit that in February 2009 the Department reviewed the scope of work as it found the biometric system to be more cost-effective and thus, within four months of signing of the agreement, requested STSL for change in scope of work[52] to introduce the biometric technology instead of barcode.

Upon STSL's refusal (August 2009) to implement changes in the scope of work, the Department belatedly served (December 2010) a termination notice to the firm. STSL disputed (October 2011) the decision of the Department and the matter has been pending with the arbitrator (Principal Secretary, Food, Civil Supplies and Consumer Protection Department) for over two years (January 2014).

The Government stated (January 2014) that the scope of the said project was reviewed and biometric system was found to be cost-effective and was confirmed by an Expert Committee[53] in July 2009. Hence, the opinion of the Finance Department, which was initially not agreed to, was finally accepted.

The non-acceptance in February 2008 of the initial recommendation of the Principal Secretary (Financial Reforms) for biometric ration cards and then agreeing to the same in February 2009, four months after the contract was signed, led not only to the termination of the agreement but also to arbitration which has been pending for over two years. The computerisation of TPDS which was to be completed in September 2011 has not been done till date (January 2014).

Further audit scrutiny revealed that the GoM submitted (December 2011) a proposal under the plan Scheme of 'End-to-end Computerization of TPDS' to GoI for an amount of ` 102.77 crore to be shared equally between the State Government and the GoI. The project cost was revised (June 2013) by the GoM to ` 74.88 crore. The scope of work included development of software, establishment of data centre, data digitization *etc.* As per MoU signed between GoM and GoI, the digitization of beneficiaries and other databases and computerisation of supply chain was to be completed by March 2013 and October 2013 respectively. The GoI sanctioned (June 2013) the proposal for ` 69.72 crore and released (July 2013) an amount of ` 20.91 crore. An expenditure of ` 6.28 crore has been incurred on the project till May 2013.

The Government stated (November 2013) that data entry under Depot Code Management System, Stakeholder Management System obtained from NIC has been completed while data entry under Existing Ration Management System is completed to the extent of 99 *per cent*. However, verification of the data entered in the system is under progress.

---

[52] The change in scope of work was approved by HPC in May 2009.

[53] An Expert Committee was formed in 2009 to review the work awarded to STSL, as the bar code technology envisaged in BOOT agreement had become obsolete and was not foolproof to authenticate and identify the beneficiaries

2.2.16.5 Non-submission of Utilisation Certificates and periodical reports

As per Clause 8 of the PDS (Control) Order, 2001 read with Annexe 1, the future allocation of foodgrains to the States is to be linked to the receipt of regular reports from the respective States and furnishing of utilisation certificates (UCs) within a period of two months from the month in which allocation was made.

Scrutiny of record in the office of the Supply Commissioner revealed that the Department did not submit UCs to GoI since October 2008 and the monthly reports as required under PDS (Control) Order, 2001.

The Government stated (November 2013) that the UCs from October 2008 to March 2009 and from April 2009 to September 2009 had been submitted to GoI in August 2013 and October 2013 respectively. The Government added that UCs for the period from October 2009 would be submitted in due course. However, UCs from October 2009 onwards are yet to be submitted to the GoI (January 2014).

2.2.17 Conclusion

The functioning of Targeted Public Distribution System in the State was beset with several deficiencies. Identification of BPL families was faulty leading to inclusion of many ineligible families while eligible families were deprived of the benefits of the Scheme. Ration cards were issued on the basis of self declaration and affidavits without cross-checking the information from the related Departments. There were instances of irregular drawl of subsidy and huge advances pending adjustment with the FCI. While non-lifting of foodgrains from FCI led to BPL beneficiaries being deprived of the benefits under the scheme, there was avoidable expenditure on purchase of rice from open market. The quality of foodgrains lifted from FCI was not tested. Targeting of beneficiaries for distribution of PDS kerosene oil was not adequate as it was not effectively linked to the number of gas cylinders held or those having piped gas connections. The Scheme of direct transfer of cash subsidy on kerosene oil was lagging behind and implementation of Vehicle Tracking System was not effective. Monitoring of the Scheme was weak due to non-constitution of requisite number of Vigilance Committees at various levels. There were shortfalls in inspection of godowns, fair price shops and ration cards by the designated authorities.

2.2.18 Recommendations

- The list of BPL beneficiaries under TPDS should be reviewed every year to weed out ineligible beneficiaries;
- The subsidy on foodgrains should be budgeted realistically;

- Efforts should be made to ensure that entire quantity of foodgrains allocated by GoI is lifted and joint inspections conducted to ensure the quality of foodgrains, before lifting from FCI;
- Efforts need to be made to speed up the construction of the remaining godowns for augmenting the storage capacity and the Vehicle Tracking System already installed on vehicles be made functional; and

- Prescribed number of inspections of godowns, fair price shops and ration cards may be ensured and the gaps in constitution of Vigilance Committees at various levels be bridged for effective monitoring of the Scheme.