

CHAPTER - III

AUDIT OF TRANSACTIONS

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Chapter III

Audit of Transactions

Audit of transactions of the Government Department, their field formations as well as that of the Autonomous Bodies brought out instances of lapses in management of resources and failure in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

PUBLIC WORKS DEPARTMENT

3.1 Maintenance and Repairs of Government Buildings from State Funds

Introduction

Proper and timely maintenance preserves and enhances the life of the buildings and facilitates their use at their design capacity or efficiency throughout the life of the structures.

In Maharashtra, Public Works Department (PWD) is responsible for maintaining the Government buildings, which are categorized as (i) Residential buildings maintained under Major Head (MH) 2216-Housing, and (ii) Administrative buildings (non-residential) maintained under MH 2059-Public Works. The PWD issued (1991) guidelines for maintenance and repairs (M&R) of buildings spelling out planning and formulation of proposals, deployment of financial and human resources, technical aspects, supervision, monitoring and evaluation.

Audit selected 120 buildings in 13³² Public Works Divisions (Divisions) under seven³³ Circles to ascertain whether buildings in urgent need of repairs were attended to, works were executed judiciously and in consonance with M&R guidelines issued by the PWD and internal controls were robust. In all, 1,444 M&R works were undertaken by 13 Divisions in 71 out of 120 buildings between 2010-11 and 2014-15 on which an expenditure of ₹ 55.07 crore was incurred. In the remaining 49 buildings, no M&R works were carried out, despite users complaints, due to variety of reasons, such as, paucity of funds, non-prioritization of M&R works, inadequacies in planning *etc.*

The audit findings are discussed in the succeeding paragraphs.

Audit findings

3.1.1 Non-preparation of annual repair programmes

As per guidelines issued by the PWD in 1991, the Superintending Engineer (SE) being the Circle head and the Executive Engineer (EE) being the Division head

³² Presidency Division, Mumbai; North Mumbai Division; Division No.1, Nagpur; Electrical Division, Nagpur; Integrated Unit (Medical), Nagpur; Hingoli Division; Parbhani Division; Nashik Division; Nashik (East) Division; Beed Division; Latur Division; Pune Division and Pune (East) Division

³³ Mumbai; Nagpur; Nagpur (Electrical); Nanded; Nashik; Osmanabad and Pune

were required to hold quarterly meetings with the heads of the user Departments to discuss the programme of repair of buildings for the ensuing year. In this regard, the Printed Register of Buildings (PRB) maintained by the Circles and the Divisions were to throw sufficient information (such as, year and cost of construction, built-up area, specifications *etc.*) on the buildings due for repairs in a particular year. Based on the availability of funds and projected needs of the user Departments, the annual repair programmes were to be framed by the concerned SEs.

Audit observed that all the 1,444 works taken up in 71 buildings were executed without preparing any annual repair programmes by the concerned SEs. Further, the PRB was also not updated to indicate the buildings due for M&R. The M&R works were being sanctioned throughout the year by the concerned SEs without taking into account the availability of funds and prioritizing the buildings in dire need of repairs. This gets substantiated by the fact that 237 Government quarters in four³⁴ out of 13 Divisions were vacant for the last one to five years for want of M&R works, such as, seepages, cracked walls, broken doors and window panes, choked and broken drainage pipes *etc.*

The GoM stated (December 2015) that a system of online registration of complaints by user Departments is being developed and their prioritization would be worked out. Also, instructions have been issued in June 2015 to the field officers regarding computerization of PRBs. The GoM further stated that of 237 quarters, 199 have been repaired post audit and 38 quarters would be repaired soon.

3.1.2 Creation of liability due to excess sanction of works

At the beginning of the financial year, the work-wise M&R proposals duly arranged in order of priority was required to be submitted by the EEs to the concerned SEs for approval. In case, sufficient funds were not available, work/works having highest priority were to be taken up first.

Audit scrutiny revealed that during 2010-15, 11 of 13 Divisions sanctioned and carried out M&R works in excess of the available budget. Resultantly, the PWD was saddled with a liability of ₹ 348.72 crore (cumulative up to March 2015) towards contractors' pending bills for previous years (**Appendix 3.1**). Incidentally, this liability was more than the total annual average expenditure of these 11 Divisions for the last five years (2010-15). This implied that these 11 Divisions would not be able to take up any M&R works for one year, if the liabilities are decided to be liquidated. Audit also observed that despite a huge liability of ₹ 348.72 crore on account of outstanding bills, funds amounting to ₹ 19 crore were surrendered by PWD during the year 2013-14.

³⁴ Presidency Division, Mumbai; North Mumbai Division; Beed Division and Latur Division

The GoM accepted the facts and stated that the budget demanded every year for M&R works was grossly inadequate and could not be sustained for requirements made every year resulting in pending bills. The urgent requirement for repairs cannot be postponed and hence executed and the bills were settled whenever the funds were made available. The GoM added that the total liability on account of pending bills has since come down from ₹ 348.72 crore to ₹ 164.92 crore as of December 2015.

3.1.3 Non-revision of norms for maintenance and repairs

The PWD prescribed (March 1991) the physical and financial norms for M&R of Government buildings (both residential and administrative). The financial norms were to be reviewed and revised after every five years. Audit, however, observed that the financial norms were revised only once in November 2005. Further, with passage of time and introduction of modern technology in construction works, new items are being used and incorporated in the Schedule of Rates of PWD from time to time. But, the physical norms of M&R have not been revised for the last 24 years.

Scrutiny of records in Presidency Division, Mumbai revealed that the actual M&R expenditure incurred on 15 residential buildings during 2010-15 was six to 20 times the revised financial norms of 2005 (escalated by 10 *per cent per annum* by audit till 2014-15). Also, the actual expenditure incurred on M&R of these 15 residential buildings during 2010-15 was one to three times the cost of construction of new buildings of same built-up area at ₹ 28,500 per sqm prescribed by the Chief Engineer, Mumbai Region in January 2014. In other words, these 15 buildings, on which M&R expenditure of ₹ 52 crore was incurred could have been constructed merely at a cost of ₹ 37 crore. The details are indicated in **Appendix 3.2**.

The GoM accepted that the norms need revision as per the necessity and technological advancement and stated that a Government Resolution (GR) has been issued in November 2015 to constitute a Committee for revision of the norms of M&R.

3.1.4 Cancellation of sanctioned works

Scrutiny of records in two Divisions (Presidency and North Mumbai) revealed that 1,118 works valuing ₹ 65.48 crore, which had already been allotted³⁵ job numbers, were cancelled between December 2010 and February 2014. Further, Measurement Book (MB) numbers were found annotated against 25 of 1,118 cancelled works, implying that these 25 works had been executed and their measurements recorded in the MBs. Despite repeated requests, copies of MBs were not produced to audit by the concerned EEs for verification of the actual status of these 25 works.

³⁵ Job numbers allotted to works indicate that they have been sanctioned by the Competent Authority

The GoM stated that after reviewing the sanctioned proposals, the EEs had proposed to the SE deferment/cancellation of some of the works, due to paucity of funds. It added that the Vigilance and Quality Control Circle (VQCC) had been directed (November 2015) to inspect the status of 25 cancelled works and further action would be taken as per the recommendations of VQCC.

3.1.5 Unrealistic demand and release of funds

The annual demands for M&R works are raised by the EEs which are consolidated at the level of SEs and the consolidated demands for a Circle are forwarded to the Secretary (Buildings), PWD for scrutiny and sanction.

Audit observed that during 2010-15, four³⁶ of 13 Divisions demanded excess funds (₹ 1,281 crore) over the maximum funds admissible³⁷ to them, even after taking into account the built-up areas of all the buildings, whether repairable or not. The position of excess funds demanded and released to the four Divisions during 2010-15 is summarized in **Table 3.1.1** below:-

Table 3.1.1:- Excess demand for funds and releases

(₹ in crore)

Name of Division	Maximum M&R funds admissible taking into account the built-up areas of all the buildings (whether repairable or not)	Funds demanded by the Division	Funds released to the Division	Excess demand by the Division (Col.3-Col.2)	Excess release of funds over the maximum funds admissible to the Division (Col.4-Col.2)
1	2	3	4	5	6
Presidency, Mumbai	239.46	1244.87	684.53	1005.41	445.07
North Mumbai	328.76	514.00	260.71	185.24	-68.05
Nashik	50.85	136.86	110.67	86.01	59.82
Nashik (East)	10.93	14.78	11.08	3.85	0.15
Total	630.00	1910.51	1066.99	1280.51	

Source : Information furnished by PWD, Mantralaya

Table 3.1.1 further shows that the PWD released ₹ 505 crore to two Divisions (Presidency and Nashik) in excess of the maximum funds admissible to them.

The GoM stated that the Presidency Division, Mumbai is primarily having VVIP and VIP buildings including heritage buildings which require high maintenance. Further, all these buildings are situated in coastal areas and subject to both high rainfall and salinity. Hence, the M&R requirements of these buildings are more than the norms. The GoM further added that audit has worked out the maximum funds admissible for M&R of buildings in four Divisions plainly on carpet area only, instead of built-up areas of the buildings, which is about 20 *per cent* more than the carpet area. Accordingly, the GoM emphasised that the maintenance funds based on built-up areas and the existing norms for Nashik and Nashik (East) Divisions would work out to

³⁶ Presidency Division, Mumbai; North Mumbai Division; Nashik Division and Nashik (East) Division

³⁷ Worked out on the basis of the total built-up area of all the buildings (whether repairable or not) and multiplying by the revised financial norms for M&R of 2005, escalated by 10 *per cent per annum*

₹ 100.95 crore and ₹ 12.59 crore respectively during 2010-15, instead of ₹ 50.85 crore and ₹ 10.93 crore arrived at by audit.

The reply furnished by the GoM is not maintainable for the following reasons:

- The maximum M&R funds admissible to the four Divisions have been worked out on the basis of built-up areas only, as furnished by the concerned SEs of the Circles to audit;
- Even after allowing for additional 20 *per cent* for built-up area, the maximum demand for M&R funds for Nashik and Nashik (East) Divisions during 2010-15 would marginally increase to ₹ 61.01 crore (from ₹ 50.85 crore) and ₹ 13.19 crore (from ₹ 10.93 crore) respectively; and
- More importantly, for the purpose of estimating the demands for M&R funds of the four Divisions during 2010-15, audit has considered all the buildings (whether repairable or not). Had only the repairable buildings been considered, the excess demand for M&R funds (₹ 1,281 crore) would have further increased.

3.1.6 Execution of works without sanction

Execution of any M&R work without allotment of job number is deemed as unauthorized. Audit observed that three³⁸ of 13 Divisions executed 4,007 works valuing ₹ 55.58 crore during 2010-15 without obtaining job numbers.

The GoM accepted the facts and stated that a proposal to condone the irregularity was under consideration and simultaneously, action had also been initiated against the erring EEs.



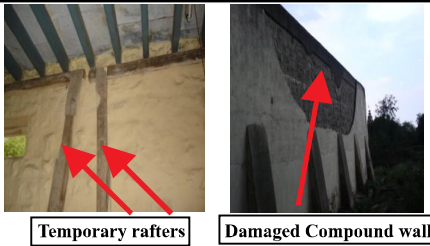
3.1.7 Buildings in urgent need of repairs remained unattended

As per guidelines issued by the PWD in 1991 (Paragraph 2.1.8), priority for M&R should be given to relatively more dilapidated and unsafe buildings. Audit observed that the buildings in extreme need of repairs remained unattended for long periods despite lodging of repeated complaints by the user Departments. Some of the cases are illustrated below.

Presidency Division, Mumbai	
1.	<p>Police Quarters, Picket Road</p> <p>The residents of Officers quarters had been complaining since June 2013 that the balcony of the quarters on the third floor was in dilapidated condition and tilting towards the road causing danger to the residents as well as the passers-by. The proposal of EE (December 2013) for repair works amounting ₹ 25.50 lakh was turned down by the Chief Engineer (CE), Mumbai on the grounds that the building being an old gothic structure, comments of Conservation Architect would be required. The quarters with rickety balcony continue to be in a precarious condition (December 2015). The GoM accepted the facts and stated that repair works would be taken up shortly.</p>

³⁸ Presidency Division, Mumbai; Parbhani Division and Electrical Division, Nagpur

<p>2. <u>Swastik Building of J.J. Hospital</u></p> <p>Users of Swastik building of J.J. Hospital, Mumbai complained (March 2013) that large pieces of plasters had collapsed from the ceiling of balcony situated on the sixth floor. The EE instead of repairing the damaged portion made temporary arrangement by placing a safety net at the site thus, exposing the residents and the vehicles to continuing danger for more than two years. The GoM accepted the facts and stated that repair works would be taken up shortly.</p>	
<p>3. <u>Small Cause Court Building</u></p> <p>The Small Cause Court Building had two non-working lifts since August 2013 due to which the visitors and the staff are forced to climb the staircase. Also, the plaster of the ceiling and columns (pillars) of the building had collapsed, exposing the iron reinforcements and thus, rendering the structure of the building weak. Further, the parapet wall of the balcony situated on the fifth floor had collapsed, making it hazardous for the Police Station functioning from the ground floor. Instead of repairing the parapet wall, the EE placed a temporary grill in the balcony and a temporary net over the Police Station. The GoM accepted the facts and stated that repair works would be taken up shortly.</p>	
<p>4. <u>Shanti Building of J.J. Hospital</u></p> <p>The residents of Shanti Building complained (March 2014) about heavy seepages leading to collapsing of plaster from the ceiling and exposing the iron reinforcements. Instead of attending to the problem on an urgent basis, the Engineers had given temporary support to the ceiling in order to prevent it from collapsing. The GoM accepted the facts and stated that repairs have been carried out post audit.</p>	

Public Works Division No. 1 Nagpur	
<p>5. <u>Certified Hostel for Girls</u></p> <p>The Certified Hostel for Girls, Nagpur is run by the Women and Child Development Department which houses 100 orphaned girls aged six to 18 years. The warden of the hostel made several complaints since August 2010 regarding broken gates (total four) and grill of the main entrance to the hostel, seepages, damaged toilets, broken drainage/sewage lines <i>etc.</i> Three girls had escaped in May 2011 through the broken grill. Only one out of 10 toilets was functional and the girls (total 100) were forced to use one toilet (the other toilets were either choked or unusable). However, the EE did not execute any repair works. The GoM stated that the broken grill of the hostel has been repaired after being pointed out by audit and assured that the remaining M&R works would be executed.</p>	
Public Works Division, Beed	
<p>6. <u>Government Secondary Ashram School, Surudi</u></p> <p>As per M&R guidelines issued by PWD in 1991, Ashram schools are located in remote areas and therefore, all such schools in dilapidated condition are to be given highest priority for M&R. The Principal of Government Secondary Ashram School, Surudi had been requesting EE, Beed Division since June 2014 to mend the damaged roof and walls of the Ashram school. However, as of December 2015, the damaged roof and the walls have not been repaired thus, jeopardizing the lives of the inmates. No reply was furnished by the GoM.</p>	
Public Works Division, Parbhani	
<p>7. <u>District Prison, Parbhani</u></p> <p>The Superintendent of District Prison, Parbhani had been complaining since December 2011 that the roof and compound wall of the Prison was in dilapidated condition. However, instead</p>	

of carrying out the repairs, the EE had placed a temporary rafter to prevent the roof from collapsing and no repairs to the compound wall had been carried out. The GoM accepted the facts and stated that the work will be completed by March 2016.

3.1.8 Capital works executed from maintenance grants

As per M&R guidelines issued by the PWD in 1991, original works shall not be taken up against the maintenance grants as routine. However, in the following cases, capital expenditure was incurred from M&R grants, in violation of guidelines:

1. Major renovation of Mantralaya building

A major fire broke out in the Mantralaya building (4th to 7th floor) in June 2012 causing massive damage to the structure. Major renovation works in the building were taken up from December 2012 at an estimated cost of ₹ 242.25 crore. All the works taken up were of capital nature, such as, structural strengthening of the building; plumbing; fire fighting works; Heating, Ventilating and Air Conditioning (HVAC); installation of eight Mitsubishi elevators; 14 escalators; fire hydrant system *etc.* However, these were sanctioned and executed under MH-2059 (M&R of Administrative buildings) instead of MH-4059 (Capital outlay on Public Works).

The GoM accepted the fact that the renovation works did not fall in the category of M&R works, but, these being an emergency situation where the State prestige was at stake, the works were carried out under M&R category. The GoM, however, added that a High Powered Committee (HPC) under the Chairmanship of the Chief Secretary to GoM had taken a conscious decision to take up the works of Mantralaya makeover under MH-2059.

The reply of GoM is not borne out of facts because, the HPC which convened its first meeting in July 2012 had taken an unanimous decision that the Mantralaya renovation works should be carried out independently *via* separate funding.

Presidency Division, Mumbai

2. Sarang building

The CE, Public Works Region, Mumbai sanctioned (June 2014) the work of conversion of two flats in Sarang building into a rest house at a cost of ₹ 1.01 crore from M&R head. The GoM stated that the work had to be executed considering the protocol assigned to the High Court/Supreme Court Judges.

Public Works Division, Hingoli

3. Rest House in Aundha

The CE Public Works Region, Aurangabad sanctioned (October 2012) M&R works to the existing rest house in Aundha, Hingoli at a cost of ₹ 195 lakh. The EE, instead of repairing the existing rest house, decided to construct a new rest



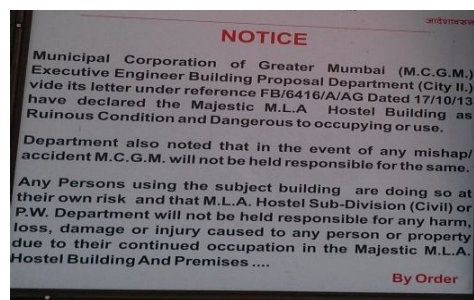
house adjacent to the existing one. As of March 2014, works valuing ₹ 78.39 lakh had been executed for construction of the new rest house and thereafter, the work was stopped due to paucity of funds. The GoM did not furnish any reply for this deviation from the original plan.	
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3.1.9 Unnecessary expenditure incurred on building declared uninhabitable

The Majestic Aamdar Niwas at Colaba, Mumbai was constructed in 1909 and declared as heritage building. Scrutiny of records of the Presidency Division, Mumbai revealed that the hostel was declared (May and June 2010) uninhabitable, dangerous and unsafe by IIT, Mumbai and a Private Structural Consultant (Shashank Mehendale and Associates). The Municipal Corporation of Greater Mumbai (MCGM) also displayed a warning notice (October 2013) stating that the building was in ruinous condition and it was dangerous to occupy or use the building. However, the EE, Presidency Division, Mumbai incurred an expenditure of ₹ 9.20 crore between April 2009 and December 2015 on M&R of the building.



Cracked and corroded pillars of basement



Warning notice displayed by MCGM

The GoM stated that due to heavy demand for rooms from the Members of the Legislative Assembly (MLAs) and insufficient availability of accommodation in Mumbai, there was no alternative but to allot rooms to the MLAs in the Majestic building temporarily, though it has been declared uninhabitable. Therefore, the Presidency Division, Mumbai had to carry out regular repair works in the premises, as per instructions of the MLAs.

The GoM added that evacuation process was 90 per cent complete as of December 2015 and the dismantling of the building had commenced.

Given the fact that the building is located in a crowded marketplace, any further delay in evacuation and dismantling process could be catastrophic.

3.1.10 Suspected fraud in execution of painting works

Police quarters at Ghatkopar have 17 buildings (980 quarters) which accommodates the Railway Police staff. The EE, North Mumbai Division got executed the work of internal painting in all the 980 quarters during

September 2012 to March 2014 (19 months). However, scrutiny of randomly selected MBs of seven³⁹ buildings (420 quarters) revealed that painting works were executed twice in these quarters during the same period at a total cost of ₹ 62.06 lakh. Subsequently, an in-house survey conducted (February 2015) by Lohmarg Police Headquarters at Ghatkopar further revealed that painting works were not at all executed in 222 of 420 quarters on which an expenditure of ₹ 32.78 lakh was stated to have been incurred during the past five years (2010-15). Repeated painting works within a span of 19 months not only violated the time schedule prescribed for internal painting of Government buildings (which is three years as per Appendix 'F' to the guidelines issued by PWD in 1991), the findings of survey also pointed to suspected fraud in execution of painting works of Police quarters. Also, the purpose of survey would have been better served had the feedback of users been taken before making payment to the contractors.

The GoM stated that the matter has been referred to VQCC for investigation.

3.1.11 Weak internal controls and monitoring

Effective internal controls minimises the risk of errors and irregularities and helps to protect resources against loss due to waste, abuse and mismanagement. The internal controls and monitoring mechanism in PWD revealed the following weaknesses:

- No quarterly meetings were held by four⁴⁰ of seven Circles with user Departments during 2010-15 to monitor the progress of M&R works.
- While the SEs of the Circles were regular in conducting physical inspections of the M&R works under progress, at the Division level, the EEs of only three⁴¹ of 13 Divisions conducted regular inspections of M&R works during 2010-15. The GoM stated that inspections were being carried out regularly but the findings were not being documented. Non-documentation of the inspection process may impede effective monitoring and follow up of the deficiencies pointed out in execution of M&R works.
- As per tender conditions, material used for construction works were to be tested by the contractors from Government laboratories for quality. The VQCC issues quality certificates to the contractors which needs to be appended with the Running Account (RA) bills for settlement of the claims of the contractors. In North Mumbai Division, verification by audit of 29 quality certificates appended with the RA bills revealed that 25 of 29 certificates were not issued by VQCC, indicating that the quality of works was being compromised. The GoM informed audit that 19 Engineers had since been suspended in September 2015 for this grave lapse and blacklisting of the concerned contractors had been initiated.

³⁹ Building No. 8, 10, 15, 16, 18, 19 and 21

⁴⁰ Mumbai, Nagpur, Nanded and Osmanabad

⁴¹ Division No.1, Nagpur; Integrated Unit (Medical), Nagpur; and Pune Division

- As per PWD Circular of May 1988, all SEs were required to maintain a control register showing allotment of job numbers to each M&R work. This control register allows the SEs to monitor the progress of works as well as keep a watch over the expenditure incurred against the allocated funds. Audit observed that the control register was not being maintained by four⁴² of seven Circles during 2010-15. Non-maintenance of control register of job numbers was one of the reasons for accumulation of huge financial liabilities due to excess sanction of works, as discussed in paragraph 3.1.2.
- As per PWD Circular of May 2006, all the Divisions were required to maintain a pending bill register wherein the RA bills of the contractors were to be recorded to ensure transparency in bill payments and to avoid unnecessary complaints of partial treatment being given to contractors in making payments. Audit observed that seven⁴³ of 13 Divisions did not maintain pending bills registers during 2010-15.

Conclusion and recommendations

The maintenance and repair works to Government buildings were taken up by the Public Works Department in an ad-hoc manner, without preparation of annual repair programmes. The Public Works Divisions sanctioned and carried out repair works in excess of the available budget and thus, saddled with huge liability. The Department did not revise the norms (financial and physical) for maintenance and repair works for the last 10 to 24 years. The funds demanded by the Divisions and that released by the Department were both unrealistic.

The Department should take up maintenance and repair works through well-planned annual repair programmes in which, the repair proposals duly arranged in order of priority and availability of funds should be included. Estimation of demands for funds and their releases by the Department should also be realistic, purely based on the number and type of works approved in the annual repair programmes.

Buildings in urgent need of repairs remained unattended for substantially long durations thus, endangering the lives of the occupants and the passers-by as well as other structures located on ground. Works of capital nature were executed from maintenance grants in violation of Department's guidelines. The internal controls and monitoring mechanism in the Department was weak.

Buildings in urgent need of major repairs should be taken up on priority to avoid persistent risk to human lives and property. Further, capital-intensive repair works should not be met from the regular maintenance grants because, such works, besides being expensive, score-out a large number of small but high priority other maintenance works from the approved annual schedule of repairs and maintenance.

⁴² Nagpur; Nanded; Nashik; and Osmanabad

⁴³ Beed Division; Hingoli Division; Integrated Unit (Medical), Nagpur; Latur Division; North Mumbai Division; Pune (East) Division and Pune Division

FOOD, CIVIL SUPPLIES AND CONSUMER PROTECTION DEPARTMENT

3.2 Procurement and milling of paddy under Minimum Support Price Scheme

Introduction

In Maharashtra, the GoI Scheme for procurement of paddy under Minimum Support Price (MSP) is being implemented by the Food, Civil Supplies and Consumer Protection Department through the two State Government Agencies (SGAs) namely, the Maharashtra State Co-operative Marketing Federation (Federation) in non-tribal areas and the Maharashtra State Tribal Development Corporation (TDC) in tribal areas.

The SGAs at their procurement centres procure paddy from the farmers at MSP declared by GoI for the Kharif Marketing Season (KMS) of each year. The paddy so procured is milled by the SGAs through local private rice millers and the resultant Custom Milled Rice (CMR) is deposited with the Food Corporation of India (FCI), the nodal agency of GoI, for utilisation under the Targeted Public Distribution System (TPDS). The GoI also fixes the rate for CMR payable to the GoM which includes MSP payable to farmers and other incidental charges. Transportation of paddy from storage points to mills and CMR from mills to FCI depots are also payable by GoI to the millers through GoM.

Audit test-checked the implementation of the Scheme covering procurement of paddy during KMS 2009-15 and milling operations for KMS 2009-14⁴⁴ in the Food, Civil Supplies and Consumer Protection Department of GoM (Department) and the two SGAs in four districts namely, Gondia, Thane, Raigad and Bhandara. Records maintained in 50 procurement centres of the two SGAs in these four districts were also test-checked. During KMS 2009-15, 150.98 lakh quintal paddy was procured in the State under MSP on which, an expenditure of ₹ 1,912.90 crore was incurred and 71.32 lakh quintal CMR was delivered to FCI till July 2015.

Audit findings

3.2.1 Outstanding claims pending with Food Corporation of India

The MSP being a GoI Scheme, entire expenditure incurred by the State Government on the implementation of the Scheme is reimbursed by GoI through FCI. Initially, the Department makes payment to the SGAs towards procurement of paddy at MSP from the Personal Ledger Account (PLA) maintained by the Financial Advisor and Deputy Secretary of the Department (FA&DS). On delivery of CMR to FCI, the SGAs prefer claims with the FCI through the FA&DS towards cost of CMR. On receipt of reimbursement from FCI, the PLA is replenished and payment is made to the SGAs for other incidental charges.

⁴⁴ Milling operations for KMS 2014-15 was not covered in audit as the procurement began from November 2014 till June 2015 and the milling was expected to be completed and CMR delivered to FCI by September 2015

Audit observed that claims amounting to ₹ 51.51 crore for KMS 2009-15 on account of CMR delivered to FCI was pending (July 2015) reimbursement, as indicated in **Table 3.2.1** below.

Table 3.2.1: Expenditure incurred on paddy procurement, CMR delivered to FCI and claims pending with FCI

Procurement Year	Paddy procured (in lakh quintal)	CMR delivered to FCI (in lakh quintal)	Amount of reimbursement claim sent to FCI (₹ in crore)	Reimbursement claim settled by FCI (₹ in crore)	Claims pending with FCI as of July 2015 (₹ in crore)
2009-10	23.31	12.51	224.76	206.63	18.13
2010-11	19.40	7.98	142.83	141.72	1.11
2011-12	26.00	16.10	311.47	300.47	11.00
2012-13	28.62	15.26	337.55	333.60	3.95
2013-14	23.99	11.71	315.05	312.97	2.08
2014-15 (up to July 2015)	29.66	7.76	184.54	169.30	15.24
Total	150.98	71.32	1516.20	1464.69	51.51
<i>Source : Information furnished by FA&DS</i>					

As could be seen from **Table 3.2.1**, of the total pending claims (₹ 51.51 crore), more than 58.70 *per cent* (₹ 30.24 crore) were pending for more than three years (2009-12). The Department did not furnish the reasons for non-settlement of claims by FCI.

3.2.2 Irregular credit of funds into Personal Ledger Account

The GoI allows one *per cent* driage on account of loss of weight of paddy during storage due to moisture loss. The GoM also allowed an additional one *per cent* driage to the Federation only for KMS 2009-12, as the process of disposal of unmilled paddy and the Scheme accounts of the TDC was under finalisation.

The MSP being a GoI Scheme, the liability of the GoM was limited to the additional driage allowance of one *per cent* allowed to the Federation. Audit observed that the Department (FA&DS) made a budget provision of ₹ 323.15 crore during 2009-15 under the Scheme, against an estimated requirement of only ₹ 3.62 crore towards additional driage allowance. Of ₹ 323.15 crore provided for in the budget, ₹ 261.13 crore was released and credited into the PLA during 2009-15, leading to an excess credit of ₹ 257.51 crore⁴⁵ into the PLA. This was not only irregular but also indicative of defective budgeting by the Department. The current status of excess credit of ₹ 257.51 crore into the PLA was not intimated by the Department (December 2015).

3.2.3 Functioning of procurement centres

As per GoI/GoM directives, paddy of only Fair Average Quality (FAQ) specifications is to be procured. The FAQ specification *inter alia* prescribes the maximum moisture content and the permissible percentage of organic and inorganic matters. The paddy so procured is to be classified by the

⁴⁵ ₹ 261.13 crore - ₹ 3.62 crore

graders⁴⁶ as Grade A⁴⁷ and Common group because, the GoI fixes distinct MSP for these two categories of paddy. In the procurement centres, the graders use moisture meters to determine the moisture content in paddy and image analysis kits to determine the grade of paddy and the percentage of organic and inorganic matters. Scrutiny of records in 50 test-checked procurement centres of the two SGAs revealed the following:

- As per the FAQ specifications, paddy having moisture content of 17 *per cent* or less was to be procured. In 16⁴⁸ of 50 procurement centres, moisture meters were not available in 15 centres in all the years during 2009-15, while in one procurement centre, the moisture meter was not functioning since 2009-10. During KMS 2009-15, 3.86 lakh quintal⁴⁹ of paddy valuing ₹ 47.65 crore⁵⁰ was procured in these 16 centres without ascertaining the moisture content. Thus, the possibility of procurement of paddy with higher moisture content (more than 17 *per cent*) in violation of FAQ specifications could not be ruled out. In the remaining 34 centres where moisture meters were functional, the moisture content was not indicated over the gradation slips issued to the farmers specifying the grade of paddy and fulfilment of FAQ specifications.
- Image analysis kits were not available in any of the 50 test-checked procurement centres. In the absence of these kits, determination of the grade of paddy and that the foreign matters, damaged grains *etc.* were within the prescribed limits, were being ensured solely on the past experiences of the graders. During KMS 2009-15, 34.58 lakh quintal⁵¹ paddy valuing ₹ 443.19 crore was procured in the 50 test-checked procurement centres. The adoption of unscientific technique was fraught with risk of common group paddy being graded as Grade A and *vice versa*, to the detriment of the Department or the farmers.
- In order to ensure that paddy procured under MSP belonged to the *bona fide* farmers, paddy offered for sale by the farmers' was to be verified by the SGAs with respect to farmers land holdings and the average yield of paddy for the locality declared by the State Agriculture Department. Such a system was also expected to prevent the traders from selling paddy under the MSP Scheme. However, the land holding records of the farmers for all the six years (2009-15) were not produced to audit for verification by 30 of 50 test-checked procurement centres. Consequently, audit could not ensure that 8.28 lakh quintal paddy⁵² valuing ₹ 97.56 crore procured by these 30 centres during 2009-15 actually belonged to *bona fide* farmers.

⁴⁶ A person appointed at procurement centres to check the specifications and the grade of paddy being procured

⁴⁷ If the length and breadth ratio is more than 2.5, the paddy is classified as Grade A

⁴⁸ TDC: 07 centres and Federation: 09 centres

⁴⁹ TDC: 1.39 lakh quintal and Federation: 2.47 lakh quintal

⁵⁰ TDC: ₹ 16.89 crore and Federation: ₹ 30.76 crore

⁵¹ Grade A: 2.71 lakh quintal valuing ₹ 28.12 crore and Common group: 31.87 lakh quintal valuing ₹ 415.07 crore

⁵² Grade A: 0.93 lakh quintal valuing ₹ 10.43 crore and Common group: 7.35 lakh quintal valuing ₹ 87.13 crore

3.2.4 Milling and delivery of rice to FCI

The status of paddy procured in the State, driage sanctioned by GoI/GoM, disposal of unmilled paddy lying with SGAs, CMR lying with millers, CMR delivered to FCI *etc.* during KMS 2009-14 is summarised in **Table 3.2.2**.

Table 3.2.2: Paddy procured during KMS 2009-14 and rice delivered to FCI as on December 2014

Sr. No.	Particulars	Federation		TDC		Total	
		(in lakh quintal)	Percent -age	(in lakh quintal)	Percent -age	(in lakh quintal)	Percent -age
1	Paddy procured	65.13	100	56.19	100	121.32	100
2	Paddy set to milling	61.65	94.66	41.94	74.63	103.59	85.39
3	Actual CMR delivered to FCI	39.25	N/A	24.31	N/A	63.56	N/A
4	CMR lying with millers ⁵³	2.06	N/A	3.79	N/A	5.85	N/A
5	Paddy equivalent of CMR not delivered to FCI ⁵⁴	58.58	89.94	36.28	64.57	94.86	78.19
6	Paddy equivalent of CMR not delivered to FCI (Sr. No.1-5)	6.55	10.06	19.91	35.43	26.46	21.81
6(a)	Paddy equivalent of CMR lying with millers ⁵⁵	3.07	4.71	5.66	10.07	8.73	7.20
6(b)	Driage loss (allowed by GoI)	0.65	1.00	0.43	0.77	1.08	0.89
6(c)	Driage loss (allowed by GoM)	0.35	0.54	0.00	0.00	0.35	0.29
6(d)	Paddy sold by SGAs (through e-tender/auction)	Nil	Nil	11.44	20.36	11.44	9.43
6(e)	Paddy lying with SGAs (pending for disposal)	1.59	2.44	1.94	3.45	3.53	2.91
6(f)	Loss of Paddy over the permissible driage allowance {(Sr. No. 6-6 (a) to 6(e)}	0.89	1.37	0.44	0.78	1.33	1.10

Source : Compiled from information furnished by SGAs and FA&DS

Table 3.2.2 shows that during KMS 2009-14, of 121.32 lakh quintal paddy procured, 26.46 lakh quintal (21.81 *per cent*) was not milled and delivered to FCI mainly due to unmilled paddy lying with SGAs (2.91 *per cent*), unmilled paddy disposed of by SGAs through e-tender/auction (9.43 *per cent*), paddy equivalent of CMR lying with millers (7.20 *per cent*) and driage losses over the permissible threshold (1.10 *per cent*). The related audit findings are discussed in the succeeding paragraphs.

3.2.4.1 Driage losses not recovered

As per the directives of the Department (November 2013), any loss on account of driage over the permissible threshold was to be recovered from the SGAs at 150 *per cent* of MSP of paddy of the relevant year. Scrutiny of

⁵³ Calculated by audit based on outturn ratio of paddy:rice = 100:67 with reference to Sr. No.2 (*i.e.* 67% of 61.65 lakh quintal = 41.31 lakh quintal) less Sr. No. 3 (39.25 lakh quintal) = 2.06 lakh quintal

⁵⁴ Calculated by audit based on outturn ratio of rice:paddy = 67:100 with reference to Sr. No.3 (39.25 lakh quintal * 100 ÷ 67 = 58.58 lakh quintal)

⁵⁵ Calculated by audit based on outturn ratio of rice:paddy = 67:100 with reference to Sr. No.4 (2.06 lakh quintal * 100 ÷ 67 = 3.07 lakh quintal)

records of FA&DS revealed that against ₹ 8.02 crore recoverable from TDC for loss of 0.44 lakh quintal paddy (refer Sr. No. 6 (f) of **Table 3.2.2**) over the diriage allowance of one *per cent* permitted by GoI, ₹ 1.94 crore was pending recovery as of March 2015.

3.2.4.2 Loss due to disposal of unmilled paddy lying with SGAs and non-recovery of cost of CMR lying with millers

Of 121.32 lakh quintal paddy procured during KMS 2009-14, 11.44 lakh quintal unmilled paddy was disposed of through e-tender/auction, 3.53 lakh quintal was lying with the SGAs and 5.85 lakh quintal⁵⁶ CMR was lying with millers as on December 2014 (refer Sr. No. 6 (d), 6 (e) and 4 of **Table 3.2.2**).

Audit observed that this situation had arisen because the millers were reluctant to lift paddy from SGAs for milling and deliver the CMR to FCI due to unacceptable transportation rates fixed (August 2010) by the GoI for KMS 2008-10 which, besides being 40 *per cent* lower than the rates paid to the millers during KMS 2007-08, was continued till KMS 2011-12⁵⁷. Consequently, the lifting of paddy/delivery of CMR to FCI was affected leading to swelling of stocks at both ends (SGAs and millers). However, the State Government did not explore any alternative strategy to mitigate the problem. The problem was further compounded as the GoI refused (August 2013) to accept the pending quantities of paddy/CMR pertaining to KMS 2009-12 due to sufficient buffer stocks in the Central pool. For KMS 2012-13 onward, the GoI directed (June 2013) GoM to deliver the quantities by the end of each KMS⁵⁸ failing which, the pending quantities would have to be disposed of by the GoM at its risk and cost.

Resultantly, unmilled paddy of 11.44 lakh quintal (for KMS 2009-12) lying with TDC was disposed of by GoM through auction/e-tender at rates significantly lower than the MSP leading to loss of ₹ 82.96 crore⁵⁹, while 3.53 lakh quintal⁶⁰ (for KMS 2012-14) was lying with the SGAs pending disposal as of July 2015. As regards 5.85 lakh quintal CMR lying with millers, the GoM initially decided to utilise this stock under TPDS after getting it certified from the FCI for quality. However, due to FCI's refusal to certify the stocks and inadequate storage facilities with the District Supply Offices (DSO) in the State, 5.85 lakh quintal CMR valuing ₹ 128.33 crore⁶¹ lying with millers also remained un-disposed (July 2015).

The millers were also granted undue financial benefits as the GoM did not levy penalty of ₹ 160.41 crore⁶² on the millers for 5.85 lakh quintal CMR

⁵⁶ KMS 2009-10: 0.12 lakh quintal; KMS 2010-11: 0.20 lakh quintal; KMS 2011-12: 0.35 lakh quintal; KMS 2012-13: 3.28 lakh quintal; and KMS 2013-14: 1.90 lakh quintal

⁵⁷ No further orders were issued by GoI for the rate payable during KMS 2012-14

⁵⁸ KMS is from October to September

⁵⁹ MSP of 11.44 lakh quintal (₹ 116.13 crore) *minus* amount realized from auction/e-tender on 11.44 lakh quintal (₹ 33.17 crore)

⁶⁰ Federation: 1.59 lakh quintal and TDC: 1.94 lakh quintal {refer Sr. No. 6 (e) of **Table 3.2.2**}

⁶¹ TDC: 3.79 lakh quintal (₹ 82.52 crore) and Federation: 2.06 lakh quintal (₹ 45.81 crore)

⁶² Penalty was to be levied at 125 *per cent* of the cost of CMR lying with the millers (125% of ₹ 128.33 crore)

lying with them. Further, of 5.85 lakh quintal CMR lying with the millers, the SGAs did not obtain bank guarantees (BGs) from the millers equivalent to the cost of the resultant CMR or the BGs were not got revalidated by the SGAs upon their expiry in respect of 1.67 lakh quintal in four selected districts (BG involved : ₹ 35.23 crore).

3.2.5 Non-levy of penalty on millers

As per Department's directives, it was mandatory for millers to lift paddy for milling within 10 days of issue of Delivery Orders (DO) by the SGAs. Upon failure of the millers to lift paddy within 10 days, penalty was to be levied for the period of delay at the stipulated rates⁶³. Scrutiny of records of SGAs in four selected districts during KMS 2009-14 revealed that 108 millers lifted 6.93 lakh quintal paddy after a delay ranging from one to 673 days. But, penalty amounting ₹ 0.89 crore was not recovered from the millers.

Further, as per milling agreements entered into by the SGAs with the millers, the grade of CMR to be deposited by the millers with the FCI was to be same as the grade of paddy lifted by them from the SGAs. CMR of a particular grade short-deposited by the millers with the FCI was to be recovered at 125 *per cent* of the rate of CMR applicable to the particular KMS. In two⁶⁴ of 13 rice-producing districts, though 49 millers⁶⁵ made good the shortage of 0.70 lakh quintal Grade A CMR with common group CMR of equivalent quantity during KMS 2009-14, yet penalty of ₹ 3.73 crore (reduced by the value of excess deposit of common group CMR) was not enforced by the Department.

3.2.6 Time lag between certification of CMR and its delivery to District Supply Offices

Upon delivery of CMR in FCI godowns, the FCI certifies the quality of the CMR, before accepting a lot. However, in four districts⁶⁶ (including the two selected districts of Raigad and Thane), the FCI certifies the stocks by conducting *in-situ* verification of quality of CMR in the millers' premises, as the distance between the FCI godowns and the mills in these four districts is substantial. The FCI certified CMR are then delivered by the millers to the respective DSO for further release under TPDS.

Audit observed that during KMS 2009-14, 2.37 lakh quintal CMR valuing ₹ 46.17 crore was delivered to DSO, Raigad and Thane for distribution under TPDS after a time lag of five days to 551 days from the dates of issue of certification by the FCI. In view of significant time lag between issue of certification of CMR by FCI and delivery to DSO, the possibility of use of CMR of the quality other than that certified by the FCI cannot be ruled out.

⁶³ ₹ 0.30 per day per quintal (2009-10); ₹ 0.50 per day per quintal (2010-13); and ₹ 0.70 per day per quintal (2013-14)

⁶⁴ Gondia and Gadchiroli

⁶⁵ TDC: 44 and Federation: 05

⁶⁶ Sindhudurg, Ratnagiri, Raigad and Thane

Conclusion and recommendations

Implementation of procurement and milling of paddy under Minimum Support Price Scheme revealed that the procurement centres did not have the requisite equipment (moisture meters and image analysis kits) to check the quality of paddy procured by the two SGAs. Delay in milling of paddy and delivery of custom milled rice to the FCI resulted in significant accumulation of stocks with the SGAs and the millers. There was loss of ₹ 82.96 crore on account of disposal of 11.44 lakh quintal unmilled paddy. The millers were also granted undue financial benefits as the GoM did not levy penalty of ₹ 160.41 crore for their inability to deliver 5.85 lakh quintal custom milled rice to the FCI during KMS 2009-14. Further penalties totalling ₹ 4.62 crore for delay in lifting of paddy by the millers within the stipulated period and short-deposit of the required grade of custom milled rice with the FCI were also not levied on the millers.

The Government may review the availability/functionality of the quality assurance equipment in the procurement centres in order to ensure that the quality of paddy being procured conforms to the specifications stipulated by the GoI. The Government may also formulate a viable strategy to eliminate future losses on account of delay in milling of paddy and delivery of custom milled rice to the FCI.

The matter was referred to the Government (August 2015); their reply was awaited (December 2015).

WATER RESOURCES DEPARTMENT

3.3 Undue delay in completion of a medium irrigation project

The Dhule Medium Project Division No.2, Nandurbar commenced a medium irrigation project without ensuring availability of land for the major components (dam proper and canals), in violation of the provisions contained in the Maharashtra Public Works Manual. Further, the project which was envisaged to be completed in four years (August 1988) at an estimated cost of ₹ 7.09 crore could not be completed even after lapse of 27 years and an expenditure of ₹ 81.19 crore. Significantly, the tribal population of Nawapur taluka who were expected to be the major beneficiaries of this project also remained deprived of the intended benefits.

As per Rule 251 of Maharashtra Public Works Manual, 1984, no work should be commenced on land which has not been duly made over by the responsible Civil Officer. Further, when tenders for works are accepted but the land required for the purpose is still to be acquired, the time that should be allowed for the acquisition of the land should be ascertained from the Collectors before orders to commence the works are issued.

The Irrigation Department⁶⁷, GoM accorded (August 1984) administrative

⁶⁷ Now Water Resources Department

approval to construction of a medium irrigation project across river Nagan at Nawapur taluka in district Nandurbar at a total estimated cost of ₹ 7.09 crore to be completed in four years (August 1988). The objective of the project was to create a gross storage capacity of 26.48 Million Cubic Meter (mcum) with live storage capacity of 23.62 mcum. The live storage was to be utilized to irrigate 2,486 ha of land through Right Bank Canal (RBC) of eight km and Left Bank Canal (LBC) of 14.10 km along with distributaries, minors and sub minors. The project was expected to benefit the tribal population of Nawapur taluka in the command area of Nawapur and improve their living standards. The project cost was revised to ₹ 49.54 crore in June 1998 and again to ₹ 92.62 crore in July 2008 due to inordinate delay in implementation of the project, changes in scope of work, delay in land acquisition *etc.* As of March 2015, an expenditure of ₹ 81.19 crore was incurred on the project.

Audit observed that an area of 398.01 ha was required for the dam works. The dam works though started in 1990 could not progress at the required pace due to delay in land acquisition process (which was completed only by 2003-04) and further delay in rehabilitation of the project affected persons of two villages⁶⁸ falling in the submergence area of the project, which could be completed by 2007. As of April 2015, 98 *per cent* of dam work and 58 *per cent* of gate erection work was completed. As a result, live storage of only 5.90 mcum, 6.25 mcum and 6.77 mcum could be achieved during 2012-13, 2013-14 and 2014-15 respectively.

Audit further observed that of the total length of 22.10 km comprising the two canals (LBC and RBC), land admeasuring 136.68 ha was required to be acquired of which, only 13.81 ha (10 *per cent*) could be acquired due to dispute between Dhule Medium Project Division No. 2, Nandurbar and the land owners over the cost of land being offered to the owners of the land. The Division awarded (February 2009 and March 2014) the works of LBC and RBC up to 14 km at a total cost of ₹ 12.91 crore. However, till March 2015, canal works of only 2.5 km could be completed after incurring an expenditure of ₹ 2.38 crore.

The Executive Engineer Dhule Medium Project Division No.2, Nandurbar (EE) stated (April 2015) that only part of the two villages comprising 138 houses were falling under submergence that were rehabilitated by 2007. However, rest of the people of these two villages (not falling under submergence) also opposed to the construction of dam and gate erection works, demanding their rehabilitation. Hence, works of dam and gate erection were delayed. In case of canal works, land could not be acquired as the land owners did not agree to the rates being offered by the Division.

The reply of EE is not acceptable because, the entire project was commenced without ensuring availability of land for the major components (dam proper and canals), in violation of the provisions contained in the Maharashtra Public Works

⁶⁸ Keli and Bandharpada

Manual. Further, the project which was envisaged to be completed in four years (August 1988) could not be completed even after lapse of 27 years as of March 2015 and an expenditure of ₹ 81.19 crore. More importantly, the tribal population of Nawapur taluka also remained deprived of the benefits envisioned from the project for the last 27 years.

The matter was reported to the Government (June 2015); their reply was awaited (December 2015).

3.4 Inadmissible payment to a contractor

The Amravati Irrigation Division made an inadmissible payment of ₹ 13.63 crore to a contractor due to wrong application of Clause 38 and non-adherence to contract conditions.

Work of construction of Pandhari Medium Irrigation Project in Amravati District, sanctioned in June 2005, was awarded (January 2008) to a contractor at a cost of ₹ 119.84 crore at 35 *per cent* above the estimated cost (₹ 88.77 crore). The work was scheduled for completion by January 2013.

As per Clause 38 of the contract, payment for additional quantities executed by the contractor up to 125 *per cent* of the tendered quantity was to be made at tendered rates and beyond 125 *per cent*, at the current schedule of rates (CSR), increased or decreased by the percentage of tender premium or rebate.

As per Schedule 'B' of the contract, 17,05,504 cum was to be executed for the work of providing and laying embankment of casing zone. However, during execution of the project, due to increase in dam area and excess depth of Cut-of-Trench, the quantities mentioned for various items in schedule 'B' of the tender increased significantly and payment for the increased quantities were regulated by the Executive Engineer, Amravati Irrigation Division, Amravati under Clause 38 of the contract.

As per Clause 38 of the contract, the contractor was required to be paid for 21,31,880⁶⁹ cum at the tendered rate of ₹ 114.08⁷⁰ per cum. Audit, however, observed that the contractor was paid for 16,31,773 cum at the tendered rate of ₹ 114.08 per cum and beyond that, at the current schedule of rate of ₹ 321.42 per cum under Clause 38. This resulted in an inadmissible payment of ₹ 10.37⁷¹ crore to the contractor.

Further, Section-1A of the tender conditions specified that the contractor shall plan, construct and maintain all coffer dams⁷², diversions of flow and other arrangements so as to keep the construction area of dam free from water. In addition, the contractor was to make his own arrangements for preventing damages to the diversion channels, coffer dams and foundation pits due to floods or heavy flow.

⁶⁹ 125% of 17,05,504 cum

⁷⁰ ₹ 84.5+35% above

⁷¹ 5,00,107 cum (21,31,880-16,31,773) at ₹ 207.34 per cum (₹ 321.42- ₹ 114.08)

⁷² A coffer dam is a temporary structure built in a water body to keep water out of the enclosed area, creating a dry work environment for the major work to proceed. Cofferdams are used in constructing the foundations of dams, bridges and similar sub-aqueous structures

Scrutiny of records (April 2013) revealed that contrary to the provisions of the contract, the Executive Director, Vidarbha Irrigation Development Corporation, Nagpur sanctioned (October 2011) 1,36,851 cum for execution of coffer dam and subsequently, made a payment of ₹ 3.26 crore to the contractor, which was inadmissible.

The Executive Engineer, Amravati Irrigation Division and the Superintending Engineer, Upper Wardha Project Circle, Amravati accepted the facts and stated (November 2014) that recovery would be made in due course. However, no recovery was effected from the contractor (December 2015).

Thus, wrong application of Clause 38 coupled with non-adherence to contract Clause resulted in an inadmissible payment of ₹ 13.63 crore to the contractor.

The matter was reported to the Government (June 2015); their reply was awaited (December 2015).

3.5 Undue pecuniary benefit to a contractor

Irregular grant of mobilization advance of ₹ 8.68 crore to a contractor as well as admitting his claim for idle charges of ₹ 1.43 crore and subsequent trade-off between the contractor and Vishnupuri Project Division to waive off the interest component on mobilization advance in consideration of idle charges resulted in short-recovery of interest amount of ₹ 47.75 lakh.

The work of construction of Balegaon high level barrage on river Godavari in district Nanded was awarded (August 2009) to a contractor at a cost of ₹ 158.78 crore to be completed by August 2013. The Executive Engineer, Vishnupuri Project Division No.2, Nanded while awarding the work informed the contractor that since the matter of construction of another high level barrage work (Babhali barrage) on same river was under litigation in the Supreme Court of India, the work of Balegaon high level barrage should not be commenced and no machinery should be brought to site without prior permission of the competent authority⁷³.

Scrutiny of records of the Executive Engineer, Vishnupuri Project Division No.2, Nanded (EE) revealed the following:

- The contractor was sanctioned (August 2009) mobilization advance (MA) of ₹ 16 crore of which, ₹ 8.68 crore was released in three instalments⁷⁴ between December 2009 and March 2010, despite there being no provision for the same in the contract and the State Government's moratorium (March 2000) on sanction of MA to the contractors.
- The MA of ₹ 8.68 crore along with interest was to be recovered from the contractor by February 2012. However, as of December 2015, ₹ 1.77 crore was yet to be recovered though a period of three years and 10 months had elapsed from the due date of liquidation of MA.

⁷³ Godavari Marathwada Irrigation Development Corporation, Aurangabad (GMIDC)

⁷⁴ ₹ 4 crore in December 2009; ₹ 2.50 crore in January 2010; and ₹ 2.18 crore in March 2010

- The contractor was given go-ahead to start the work from November 2010. However, barely within a year of commencement of the work, the contractor pressed a claim of ₹ 1.43 crore for idle machinery and labour charges for the stalled period (August 2009 to October 2010) invoking Clause 15 (3)⁷⁵ of the Contract. The contractor also proposed that in case his claim for idle charges was not considered, the interest component on MA for the period prior to actual commencement of work (December 2009 to October 2010) should be waived off. In this case, since the work did not commence at all, the contractor was not entitled to any compensation under Clause 15 (3). However, the Superintending Engineer, GMIDC waived off (August 2012) the interest component of ₹ 47.75 lakh in consideration of contractor's request.

The EE stated (December 2014) that the interest component was waived off as it was less than the idle charges claimed by the contractor.

Thus, the grant of mobilization advance of ₹ 8.68 crore to the contractor as well as admitting his claim for idle charges of ₹ 1.43 crore and subsequent trade-off between the contractor and the Division (for interest component with idle charges) was not only irregular but also resulted in short-recovery of interest amount of ₹ 47.75 lakh.

The matter was reported to the Government (July 2015); their reply was awaited (December 2015).

PUBLIC WORKS DEPARTMENT

3.6 Irregular sanction of extra items of work

Contrary to the tender conditions, the Chief Engineer, Nashik sanctioned extra items of ₹ 4.48 crore to a contractor for construction of a major bridge across Tapi river at Hatoda in Nandurbar district, which was irregular.

As per paragraph 192 of the Maharashtra Public Works (MPW) Manual, 1984, in a lump sum contract, the contractor has to execute the complete work with all its contingencies in accordance with the drawing and specifications for a fixed sum.

The Executive Engineer, Nandurbar Public Works Division (EE) invited (September 2008) tenders on lump sum basis for construction of a major bridge across Tapi river at Hatoda on Nandurbar-Taloda road at an estimated cost of ₹ 30.19 crore. The site of work was falling in Gujarat as well as

⁷⁵ Where the Engineer-in-Charge requires the contractor to suspend the work for the period in excess of 30 days at any time or 60 days in the aggregate, the contractor shall be entitled to apply to the Engineer within 30 days of resumption of work after such suspension for payment of compensation to the extent of pecuniary loss suffered by him in respect of working machinery rendered idle on the site or on account of his having had to pay the salary wages of labour engaged by him during the said period of suspension

Maharashtra States. The site was influenced by backwater of Ukai dam in Gujarat State situated at 120 km downstream and also discharges through Hatnur dam and Sulwada, Sarangakheda and Prakasha barrages across Tapi river situated upstream of site. Due to uncertain schedule of discharges through above dams/barrages, the low water level was difficult to ascertain for the purpose of execution of bridge work. Therefore, it was clearly mentioned in the tender conditions that the drawings were generalised and indicative only and the contractor should plan his activities accordingly. Also, no claims of the contractor for any extra items were to be considered on account of change in low water level at the time of execution of works. The tender conditions further required the contractor to furnish a signed declaration that the work may have to be carried out in standing water due to site conditions.

The EE awarded (February 2009) a lump sum contract to Rajdeep Buildcon Private Limited (contractor) for construction of major bridge at a total cost of ₹ 34.40 crore to be completed by February 2011. The Contractor was granted four extensions up to March 2016. As of December 2015, the work was in progress and an expenditure of ₹ 42.19 crore was incurred up to September 2015. As per tender conditions, the contractor had also given a signed declaration of being aware of the site conditions and that the work may have to be carried out in standing water.

Scrutiny of records of the EE (January 2015) revealed that during price negotiations in January 2009, the contractor categorically stated that the location of the subject bridge was such that the whole of the work was to be executed in standing water conditions due to dams on upstream and downstream of the proposed site. In view of the site conditions, the expenses for putting temporary cofferdams⁷⁶ as well as dewatering, temporary staging and access to the site would be substantial. The contractor, therefore, opined that the offer of ₹ 34.40 crore was the best and final offer which was based on the quantities calculated by an expert structural consultant and the rate analysis as per the present market scenario.

Contrary to the tender conditions and clarifications given by the contractor during price negotiations, the Chief Engineer, Nashik at the request of the Contractor (November 2013) sanctioned (December 2013) Extra Items Rate List (EIRL) of ₹ 4.48 crore for construction of coffer dams, temporary bridge, working platform *etc.* for the works relating to well foundation at piers P2, P3 and P4, due to high water levels.

The EE stated (January 2015) that the EIRL was sanctioned due to public demand for early execution of bridge work and also because standing water level was much higher for piers P2, P3 and P4.

Thus, sanction of EIRL of ₹ 4.48 crore to the contractor was irregular.

⁷⁶ A cofferdam is a temporary structure built in a water body to keep water out of the enclosed area, creating a dry work environment for the major work to proceed. Cofferdams are used in constructing the foundations of dams, bridges and similar sub-aqueous structures

The matter was referred to the Government (July 2015); their reply was awaited (December 2015).

3.7 Unauthorised diversion of work contingencies

The Superintending Engineer, Public Works Raigad Circle unauthorisedly diverted ₹ 1.45 crore from work contingencies of 25 works for construction of store shed and record room at Navenagar-Mahad, district Raigad, in contravention of the recommendations of the Public Accounts Committee and the provisions contained in the Maharashtra Public Works Manual.

Mention was made in paragraph 4.4.2 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended March 2008 regarding diversion of work contingencies amounting to ₹ 1.55 crore in Public Works Circle, Thane for carrying out additions, alterations, repairs, renovations to Offices of the Circle, Divisions and Sub-divisions as well as repairs to rest houses of Public Works Department. The State Public Accounts Committee (PAC) in its 13th Report presented to the State Legislature (August 2013) recommended that diversion of funds being irregular, no expenditure should be approved for works not having budget provision or approval by the State Legislature.

Further, according to paragraph 145 of the Maharashtra Public Works (MPW) Manual, 1984, provision at five *per cent* of the estimated cost of work shall be made under a separate sub-head 'contingencies' for unforeseen items which may crop up later on during execution of work. This provision was however, not to be diverted without the sanction of competent authority, to any new item which, though fairly incidental to the work, is not provided for in the estimate. As per Appendix 42 (Serial No.14) of the MPW Manual, the Superintending Engineer has full powers to divert the provision of 'contingencies' in the estimates for a work to a new item not provided in the same estimate.

Scrutiny of records (December 2014) of the Executive Engineer, Public Works Division, Mahad, district Raigad (EE) revealed that the Superintending Engineer, Public Works Circle, Raigad, Navi Mumbai (SE) sanctioned (between February 2012 and February 2014) diversion of ₹ 1.45 crore from the work contingencies of 25 works⁷⁷ for 'Construction of store shed and record room at Navenagar-Mahad', District Raigad, in contravention of the PAC recommendations and the provisions contained in the MPW Manual. Incidentally, this work was split into 14 sub-works by the EE and awarded to two contractors between February 2012 and March 2014 to avoid approval of the next higher authority. These 14 works were completed during January 2013 to May 2014 at a cost of ₹ 1.45 crore.

The matter was referred to the Government (May 2015); their reply was awaited (December 2015).

⁷⁷ Construction of rural hospitals, administrative buildings, residential quarters *etc.*

3.8 Irregular payment to a contractor

The Public Works Division, Parbhani in violation of contract conditions admitted irregular additional claims of a contractor amounting ₹ 1.07 crore against two works which had already been completed and paid for eight years back.

The Executive Engineer, Public Works Division, Parbhani (EE), awarded two works to Banka Construction Engineers and Contractors (contractor) in October 1997 and January 1999 as under:

- (i) Construction of submersible bridge across river Godavari near village Phala in District Parbhani at a cost of ₹ 1.67 crore (awarded in October 1997); and
- (ii) Construction of major bridge across river Godavari near village Dhangartakli in District Parbhani at a cost of ₹ 4.50 crore (awarded in January 1999).

The first work was completed in May 2001 and the final bill was paid in February 2006 while the second work was completed in December 2002 and the final bill was paid in December 2005.

Scrutiny of records (April 2015) of EE revealed that the contractor turned up in October 2013 (nearly seven years and 10 months after payment of final bills) and raised additional claims amounting ₹ 1.09 crore on the ground that he had executed additional works⁷⁸ under both the contracts and the related claims, though raised in October 1998 (for first work) and March 2000 (for second work), were not paid to him upon completion of both the works. Both the additional claims were admitted by the Chief Engineer (CE), Aurangabad and the contractor was paid ₹ 1.07 crore in December 2013.

The action of the CE, Aurangabad to admit the additional claims of the contractor after almost eight years was irregular for the following reasons:

- Both the contracts being lump sum (based on contractor's owned design and drawings), the contractor was expected to estimate the quantities of work as per actual site conditions and quote his rates accordingly. Therefore, admission of additional claims after completion of works diluted the very sanctity of the contracts, which were concluded on lump sum basis.
- Fresh measurements against both the works were recorded and certified by the EE in December 2013 which appeared highly improbable because, measurements of excavation and filling works can be done concurrently at the time of execution of works, and not after the works had been completed. The Divisional Accounts Officer (DAO) also did not sign the measurement books under

⁷⁸ Excavation in hard and soft rock for foundation, sand filling, concreting work, sinking *etc.*

protest, stating that once the final bills had been paid to the contractor and the works closed, the question of admitting the additional claims of the contractor does not arise. However, the objection of DAO was overruled by the EE/CE to avoid possible legal proceedings and consequent payment of interest on the claims raised by the contractor. The apprehensions of EE/CE were misplaced because, the contracts did not have any arbitration clause and in case of any dispute, the contractor was required to file an appeal/register his protest with the Secretary, Public Works Department within 30 days of payment of final bill, which was not done in this case.

The matter was referred to the Government in June 2015; their reply was awaited (December 2015). However, the EE stated (April 2015) that the additional claims of the contractor were admitted on the basis of the approval granted by the CE, Aurangabad.

Thus, admitting the additional claims of the contractor and payment of ₹ 1.07 crore in violation of contract conditions was irregular.

3.9 Idling of a bridge

A bridge constructed by the Executive Engineer, Public Works Division, Bhandara in March 2014 at a cost of ₹ 3.05 crore remained non-operational for public use as of December 2015 due to non-construction of approaches to the bridge.

As per Rule 251 of Maharashtra Public Works Manual, 1984, no work should be commenced on land which has not been duly made over by the responsible Civil Officer. Further, when tenders for works are accepted but the land required for the purpose is still to be acquired, the time that should be allowed for the acquisition of the land should be ascertained from the Collectors before orders to commence the works are issued.

The Public Works Department, GoM accorded (May 2009) administrative approval for construction of major submersible bridge across river Chulband in Sakoli tahsil, District Bhandara. This work was taken up to provide road connectivity to the people of village Vihirgaon and Bhugaon. The work also included construction of approach roads at both ends of the bridge.

The Executive Engineer, Public Works Division, Bhandara (EE) awarded (August 2011) the work to a contractor at a cost of ₹ 3.21 crore to be completed in 15 months (November 2012).

Audit scrutiny of the records of EE revealed that while awarding the work, the Division was not in the possession of private land (0.97 ha) required for the construction of approach roads on both sides of the bridge (0.40 ha on Bhugaon side and 0.57 ha on Vihirgaon side). It was only after almost one year of the award of the work that the Division approached (June 2012)

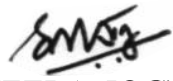
the Collector, Bhandara for initiating the land acquisition proceedings under the provisions of Land Acquisition Act, 1894.

The contractor completed (March 2014) the bridge work at a cost of ₹ 3.05 crore. However, the work of approach roads could not be executed as the private land required for the purpose was not acquired. Thus, the bridge constructed at a cost of ₹ 3.05 crore continued to be non-operational for public use for more than 1½ years (December 2015).

The GoM stated (January 2016) that land acquisition has almost been completed and construction of approaches has been targeted for completion by March 2016.

Thus, awarding of bridge work without ensuring availability of land for approach roads led to continued idling of the bridge constructed at a cost of ₹ 3.05 crore as of December 2015. Besides, the objective of connecting the two villages (Bhugaon and Vhirgaon) also remained unachieved.

Nagpur,
The 26 February, 2016


(SHEELA JOG)
Accountant General (Audit)-II,
Maharashtra, Nagpur

Countersigned

New Delhi,
The 29 February, 2016


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India