

CHAPTER - III

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CHAPTER III

Audit of Transactions

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

Public Health Department

3.1 Rajiv Gandhi Jeevandayee Arogya Yojana

3.1.1 Introduction

Public Health Department (PHD), Government of Maharashtra (GoM) approved (May 2011) Rajiv Gandhi Jeevandayee Arogya Yojana (RGJAY) in order to provide identified speciality services requiring hospitalisation for surgeries and therapies or consultations through an identified network of Health Care Providers to the Below Poverty Line (BPL) families and also to the Above Poverty Line (APL) families whose income was ₹ one lakh and less (excluding Government/Semi-Government employees and Income Tax payers) as well as Antyodaya and Annapurna Card Holder families. The Scheme is a unique Public-Private Partnership model in the field of Health insurance, made for the health needs of poor patients and providing end to end cashless services for identified diseases through a network of service providers from Government and Private sector.

In order to facilitate the effective implementation of the Scheme, PHD, GoM had set up (May 2011) the Rajiv Gandhi Jeevandayee Arogya Yojana Society (Society) under the chairmanship of the Hon. Chief Minister. The main object of the Society was to conceptualise, implement, establish, provide, administer, modify and supervise directly RGJAY (or any other scheme by whatever name it may be called) which is formed to provide medical facilities to the beneficiaries identified by the GoM.

3.1.2 Coverage of Beneficiaries

The Scheme was implemented throughout the State in a phased manner. The Scheme was initially implemented in eight districts¹ w.e.f. 2 July 2012 and from 21 November 2013 onwards, the Scheme was extended across the State. The Scheme covers around 971 (972 in Phase I) procedures along with 121 follow up packages in 30 identified specialised categories, about 131 procedures are to be performed only in Empanelled Public Hospitals/Government Medical College Hospitals subject to availability of the facility and the procedure planned. The beneficiary families would be identified on the basis of Yellow² or Orange³ Ration Card issued by the Food,

¹ Amravati, Dhule, Gadchiroli, Mumbai City, Mumbai Suburban, Nanded, Solapur and Raigad

² Families having annual income upto ₹ 15,000 having been included in IRDP list of 1997-98

³ Families having total annual income more than ₹ 15,000 and less than ₹ one lakh

Civil Supplies and Consumer Protection Department (FCS&CPD), GoM along with photo identities. The benefit is available to each and every member of the family on floater basis⁴. The Scheme provides coverage for meeting all expenses relating to hospitalisation of the beneficiary upto ₹ 1.5 lakh per family per year in any of the Empanelled Hospitals. In case of Renal Transplant Surgery, sum insured was ₹ 2.5 lakh per family per year. From 28 April 2016 onwards, farmers of 14 Suicide-Prone Districts⁵ of the State having White⁶ Ration Card are also added as beneficiaries under the Scheme.

The Health Care Institutions (HCIs), which fulfil prescribed criteria relating to infrastructure⁷, manpower, equipment⁸, conform to service and quality standards, become eligible for empanelment with the Scheme. As of March 2017, 487⁹ HCIs [referred to as Network Hospitals (NWHs)] have been empanelled by the Society.

3.1.3 Organisational set up of the Society

The Society consists of the Minister for Public Health, Secretaries of PHD, Finance Department and Medical Education and Drugs Department, the Commissioner, Family Welfare, GoM, Directors of Directorate of Medical Education & Research, GoM, Directorate of Health Services, GoM and Chief Executive Officer (CEO) of the Society. The Society is responsible for implementation of Memorandum of Understanding (MoU) between the Society and the National Insurance Company Limited (NIC), and RGJAYS Rules and Regulation 2010.

The Dy. Chief Executive Officer, Financial Advisor, Dy. Director, (Administration/Establishment), Assistant Director, Health Services, Administrative Officer (IEC/Health Card) and IT expert assist to the CEO of Society in implementation of the Scheme. At district level there are 36 Co-ordinators supervised by the six Regional Officers.

3.1.4 Audit Objectives

The objectives of the Audit on RGJAY were to assess whether:

- the Scheme was implemented in accordance with the stated objectives and the extent of achievement of the same;
- the financial management of the Scheme was in accordance with the Agreements and Financial Rules of the Government; and
- the monitoring system, internal controls were effective.

3.1.5 Audit criteria

- Memorandum of Understanding (MoU) of Phase I and Phase II between the RGJAY Society and National Insurance Company;

⁴ Floater basis means total annual coverage of ₹ 1.50 lakh can be availed by one individual or collectively by all members of the family

⁵ Akola, Amravati, Aurangabad, Beed, Buldhana, Hingoli, Jalna, Latur, Nanded, Osmanabad, Parbhani, Wardha, Washim and Yavatmal

⁶ The families having annual income of more than ₹ one lakh

⁷ Phase I- 50 bedded hospital and Phase II – 30 bedded hospital

⁸ All specialised equipment required for specialised surgery

⁹ Government HCIs: 79 and Private HCIs:408

- RGJAYS Rules and Regulation 2010;
- Circulars/instructions/orders/notifications/resolutions issued from time to time by GoM in respect of functioning of the RGJAY; and
- Bombay Financial Rules, 1959 and Maharashtra Treasury Rules, 1968.

3.1.6 Audit scope

The Audit was conducted between April 2017 and June 2017 covering a period of five years from 2012-13 to 2016-17. For this purpose, records at the offices of the Addl. Chief Secretary, PHD, Mantralaya, Mumbai, Directorate of Health Services, Mumbai, CEO, RGJAY Scheme were examined. Besides, records of 19 Government (which included four Municipal Corporation/ Council Hospitals) and 22 Private Empanelled Hospitals in eight¹⁰ districts under Phase I as well as four Government and 13 Private Empanelled Hospitals in two¹¹ district under Phase II, were selected on the basis of more coverage and varied speciality treatments available in those hospitals.

An exit conference was held on 31 July 2017 with Joint Secretary of PHD along with Chief Executive Officer, Society wherein the findings and recommendations of audit were discussed. The matter was referred to the State Government in July 2017. The reply of State Government furnished in November 2017 had been suitably incorporated at appropriate places.

Audit Findings

3.1.7 Management of the Scheme

During 2011-17, GoM had released funds of ₹ 3,416.36 crore to the Society for implementation of the Scheme. Of which, the Society had incurred expenditure of ₹ 3,009.31 crore towards insurance premium paid to the insurer company upto November 2016 for 9.35 crore beneficiaries.

Scrutiny revealed that as against the premium of ₹ 3,009.31 crore paid to the insurer company until November 2016 covering 9.35 crore beneficiaries under the Scheme, the claims received for settlement were from only 11.89 lakh beneficiaries. This was due to non-distribution of health cards, non-appointment of *Arogyamitras* at primary health centres, shortfalls in conducting health camps and inadequate publicity of the Scheme as discussed in succeeding paragraphs.

3.1.7.1 Distribution of Health Cards to the Beneficiaries

GoM decided (May 2011) to issue health cards to the beneficiaries having BPL and APL Ration cards of eight districts of Phase I of the Scheme. As per Clause 8 of the MoU between the Society and the NIC in Phase I of the Scheme, these health cards were to be prepared by using the data of the Yellow and Orange Ration card holders available with the FCS&CPD, GoM.

The Ration cards were to be linked with the Aadhaar Card number issued by Unique Identification Authority of India (UIDAI) in order to identify

¹⁰ Amravati, Dhule, Gadchiroli, Mumbai City, Mumbai Suburban, Nanded, Raigad and Solapur

¹¹ Beed and Nashik

beneficiary families under the Scheme as per MoU. If the Health Card did not contain Aadhaar number of the beneficiaries, they could get enrolled in the UIDAI enrolment unit set up in the Hospital before leaving the Hospital. The software of the Scheme was required to have the provision to record the UIDAI to cater to the future scenario wherein citizens would have a UIDAI for unique identification and authentication.

Audit scrutiny revealed that the contract at the rate of ₹ 3.65 per card for printing, packaging and distribution of Health cards to the beneficiaries of Phase I of the Scheme was awarded to a firm in Mumbai. Out of 49.03 lakh beneficiaries in eight districts of Phase I of the Scheme, 42.15 lakh (86 per cent) Health Cards were printed, of which 23.64 lakh (56 per cent) Health Cards were distributed to the beneficiaries of the Scheme and 18.51 lakh (44 per cent) Health Cards were not distributed as of April 2015. Thus, expenditure of ₹ 68 lakh incurred on printing of 18.51 lakh¹² rendered wasteful.

Thereafter, PHD issued (May 2015) instructions to the Society to obtain validated digitised data of beneficiaries from FCS&CPD and till then the printing and distribution of Health Cards was kept on hold temporarily. Accordingly, CEO, Society approached FCS&CPD for the digitised data of Ration card holders. The FCS&CPD informed (July 2016) that the work of validation of digitised data of Ration card was in progress. The distribution of the Health Cards to the beneficiaries was stopped completely by the Society *w.e.f.* June 2017.

Audit further noticed that the insurance premium was paid to the Insurance Company on the basis of total number of Ration Card holders, without giving details such as ration card number, name of the person to whom the ration cards issued, total number and names of the family of the ration card holder *etc.*, in absence of these details, the correctness of the premium paid to the Insurer Company could not be ascertained.

Thus, non-identification of the beneficiaries based on Ration card/Aadhaar card and non-distribution of Health Cards, lead to ineffective implementation of the Scheme benefits among the beneficiaries.

The Government stated (November 2017) that the Society has sought (August 2017) guidelines from the Public Health Department, for distribution of the Health cards lying undistributed, and the benefits of the Scheme is allowed to the beneficiaries on the basis of Ration Cards.

3.1.7.2 Survey for identifying actual number of farmer beneficiaries of Suicide Prone Districts

GoM decided (April 2016) to extend Scheme benefits to the White Ration Card holding farmers in 14 Suicide-Prone Districts of the State. The beneficiaries of the said districts could avail the Scheme benefits with either White Ration Card issued by FCS&CPD or 7/12¹³ extract issued by Revenue Department of the GoM and in case of non-availability of these two

¹² 18,51,000 health × ₹ 3.65 per health card = ₹ 67,56,150

¹³ The 7/12 document or 'Record of Land Rights' is used for looking up the ownership of ancestral land in a village

documents, the letter of the Revenue Officer of that District was sufficient. Accordingly, revised agreement was executed (June 2016) between the Society and NIC for inclusion of the beneficiaries of the said 14 suicide-prone districts in the Scheme.

Audit noticed that GoM paid (May 2016) ₹ 6.35 crore¹⁴ to the Insurer for the total 1,65,912 white Ration card holders of these 14 districts on the basis of data/information received from FCS&CPD. As the benefit of the Scheme was to be extended only to the farmers having white ration cards of these suicide-prone districts, the payment of insurance premium for all the white ration card holders of these districts, resulted in excess payment of premium which could not be quantified in absence of authentic data of the beneficiaries.

Besides, the payment of service tax and 20 *per cent* administrative charges as part of the premium paid to the Insurer would be infructuous since the service tax and administrative charges are not refundable as per Clause 14 of the MoU of Phase II of the Scheme.

The Government stated (November 2017) that status of validated ration cards is obtained from the District Supply Officer (DSO) monthly and the number of beneficiaries of farmers holding White Ration Cards has come down from 1,65,912 to 91,285 in these 14 suicide prone districts till April 2017, after excluding Government and Semi Government employees.

The reply only confirms that the insurance premium of all the white Ration card holder was paid without obtaining the authenticated list of the farmers having white Ration card from the FCS&CPD or conducting any survey. This resulted not only in additional financial burden to the exchequer but also undue benefit to the Insurance Company.

3.1.7.3 Absence of prescribed facilities under the Scheme

i) *Arogyamitra*

Clause 23 of MoU of Phase I provides that the Insurer needs to appoint minimum of three *Arogyamitras* at each Empanelled Hospital. Similarly, as per Clause 23 of MoU of Phase II, 700 *Arogyamitras* need to be appointed to facilitate admission, treatment and cashless transactions. The *Arogyamitra* also facilitate the creation of awareness of the Scheme benefits among the targeted beneficiaries.

Thus, 207 and 700 *Arogyamitras* were required to be appointed, in 69 and 371 Empanelled Hospitals of Phase I and II of the Scheme respectively. Scrutiny revealed that 109 and 660 *Arogyamitras* were appointed by Third Party Administrators (TPAs), leaving a shortfall of 98 and 40 *Arogyamitras* respectively. Further, the Insurer also had to appoint *Arogyamitras* in consultation with the Society in all the Rural/Primary Health Centre/Sub-District/Women Government Hospitals for propagating the Scheme, mobilising the people for health camps, counselling beneficiary families, facilitating the referral/treatment of these patients and follow-up.

¹⁴ $1,65,912 \times ₹ 333$ (insurance premium) + ₹ 82,87,304 (15 *per cent* Service Tax)
= ₹ 6,35,36,000

It was, however, noticed that the Insurer had not appointed *Arogyamitra* in the Rural/Primary Health Centre Sub-District/Women Government Hospitals.

The Government stated (November 2017) that *Arogyamitras* were appointed in 12 empanelled Sub District and Women Hospitals. Further they have levied liquidated damages of ₹ 31 crore due to non-availability of *Arogyamitras*, and the same has been communicated to NIC in July 2017.

ii) Medical Co-ordinator

As provided in Clause 11 of the MoU between TPA and Empanelled Hospitals, the Empanelled Hospitals are required to appoint Medical Officer as Medical Co-ordinator (MCO) of the Scheme to co-ordinate with the Society for pre-authorisation of the patients of the Scheme.

Scrutiny revealed that the MCO was not appointed in Civil Hospitals of Amravati and Gadchiroli, where 601 and 1,341 authorisations of patients respectively were done. Further, about 13,006 patients of Amravati and 3,570 patients of Gadchiroli had availed benefits of the Scheme from hospitals in other Districts which clearly showed the need for MCOs. Non-appointment of MCOs by the empanelled hospitals in Amravati and Gadchiroli Districts had therefore, caused hardships to the beneficiaries.

The Government stated (November 2017) that the MCOs are now appointed at Civil Hospitals in Amravati and in Gadchiroli.

iii) Non-appointment of Medical Camp Co-ordinator

As per clause 17.11 of the MoU, between TPA and Empanelled Hospitals, Empanelled Hospitals were required to appoint the Medical Camp Co-ordinator (MCCO) to co-ordinate with the Society/Insurer/TPA through the *Arogyamitra* for conducting health camps.

Scrutiny of the records in ten Government Hospitals¹⁵ and three Municipal Hospitals¹⁶ revealed that the MCCOs were not appointed.

The Government stated (November 2017) that the three MCGM hospitals, have signed separate MOUs with the TPAs in which Clause 10.1 regarding appointment of medical coordinator was removed from the MOUs. The Government, however, was silent about non-appointment of medical coordinator in Government hospitals.

The reply is not tenable. As MCCOs were not appointed there was failure to co-ordinate with the Society/Insurer/TPA and Health Camps could not be conducted as discussed below.

3.1.7.4 Shortfalls in conducting Health Camps

As per the MoU of Phase I and II (Clause 19), Empanelled Hospitals are required to conduct Health Camps in Villages, major Gram Panchayats, Taluka Headquarters, and Municipalities. In respect of eight Districts covered under Phase I, a minimum of one Health Camp per week per Empanelled

¹⁵ Civil Hospitals of Amaravati, Beed, Nashik, Raigad, Referral Hospital Nashik, Sir J.J.Group of hospitals, G.T., Cama Albless, St. George hospitals of Mumbai City and CSM General Hospital Solapur

¹⁶ KEM, BYL Nair, LTMG hospitals of Mumbai city

Hospital and in respect of 27 Districts covered under Phase II, a minimum of one Health Camp per fortnight per Empanelled Hospitals was to be conducted in the Policy year. As per the Society's circular of December 2013, every Government Hospital was required to conduct one mega Health Camp instead of two Health Camps in a month.

Scrutiny however revealed that as against the prescribed 49,881 Health Camps, Empanelled Hospital had conducted only 10,466 (21 per cent) Health Camps, leaving shortfall of 39,415 (79 per cent) Health Camps during the period from July 2012 to March 2017.

The Government stated (November 2017) that all necessary instructions have been issued to field staff of society and TPA. Sensitization meetings of NWHs were conducted in every district by field staff of society and TPA. Further it is stated that between May 2017 and July 2017, about 1,583 health camps were conducted by NWHs.

The fact remained that due to this shortfall, wide publicity and awareness about the Scheme in Districts and Rural Areas was not generated for the period covered in audit.

3.1.7.5 Empanelment of single hospital in Gadchiroli district

The General Hospital, Gadchiroli was empanelled to provide health care services to the Beneficiaries under the Scheme.

Audit scrutiny revealed that out of total 4,566 patients of the Gadchiroli district, 3,570 patients were treated in other districts due to insufficient empanelled hospitals in Gadchiroli District with adequate facilities.

The Government accepted (November 2017) that due to the lack of availability of ICUs in all existing Private and Government hospitals more number of hospitals were not empanelled under the Scheme. Further in the proposed Request for Proposal (RfP) of the scheme (*Mahatma Jyotiba Phule Jan Arogya Yojana*) for empanelment of hospitals in hilly and tribal areas, there would be relaxation in some criteria increasing the access to more beneficiaries.

3.1.7.6 Empanelled Private Network Hospitals

Test-check in Audit of records of 35 Private Network Hospitals of nine Districts¹⁷, in order to verify their compliance with the criteria and the modalities followed by the Society in empanelling these hospitals revealed that:

- i) clauses 10.5 and 9.5 of MoU between TPAs and Empanelled Hospitals of phase I and II of the Scheme provide that the private empanelled hospitals were required to obtain Indemnity Policy from any Insurance Company till the period of empanelment in the Scheme so that the hospital as well as the beneficiaries under the Scheme were indemnified in case of any accident/mishap. It was seen in audit that nine NWHs had not taken this Indemnity Policy till date (November 2017), resulting in non-covering of the beneficiaries under the Scheme and the hospitals under the Indemnity policy.

¹⁷ Amravati, Dhule, Mumbai City, Mumbai Suburban, Nanded, Raigad, Solapur, Beed and Nashik

ii) every NWHs were required to conduct four and two health camps in a month in Phase I and II of the Scheme respectively. It was noticed that in 31 NWHs there were shortfalls ranging from two to 100 *per cent* in conducting health camps impacting awareness of the Scheme amongst the beneficiaries.

iii) in respect of Shri Sant Acchut Maharaj Heart Hospital and Research Institute, Amravati which was an empanelled hospital there was no separate general ward for male and female patient as required under the MoU.

iv) in case of the empanelled Nandigram Network Hospital, Nanded, as against the prescribed 50 bedded hospital, there were only 38 beds available in the hospital.

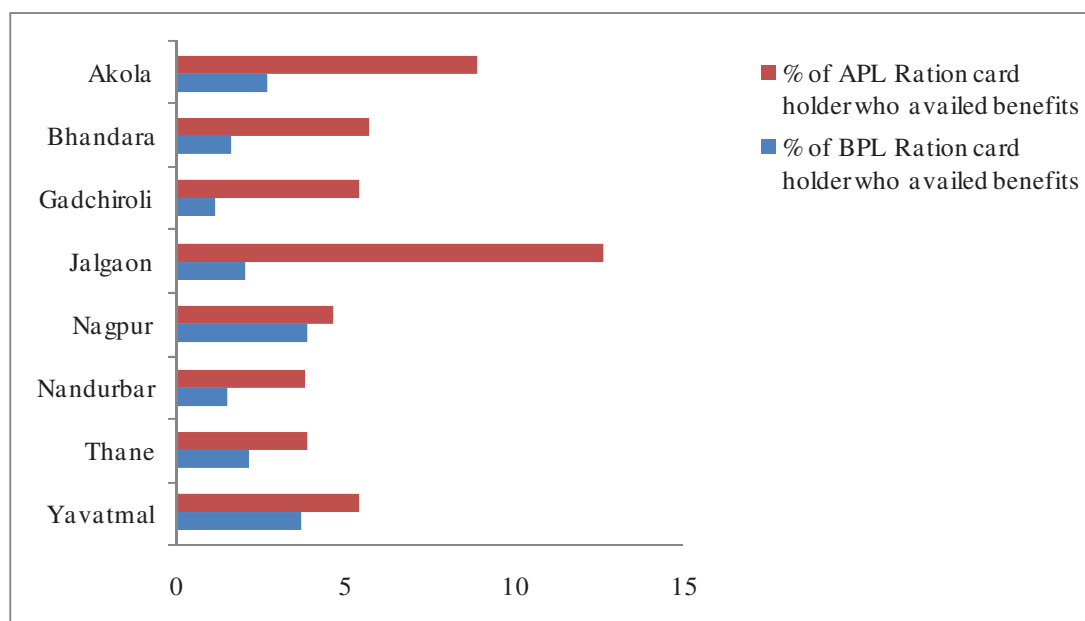
The Government stated (November 2017) that there was a significant increase in health camps conducted during the period from May 2017 to July 2017 and 114 health camps were successfully conducted by 26 NWHs out of 31 NWHs.

3.1.8 Outcome of Data Analysis

The district-wise total number of various types of Ration card holders *i.e.* beneficiary database provided by the Society and data relating to 12,49,480 beneficiaries whose claims were received for the period from 2012-13 to 2016-17 was analysed, using data analytical tools “KNIME” and “IDEA”. The results are enumerated below:

The comparison of yellow Ration card holders (BPL) and orange Ration card holders (APL) beneficiaries in selected districts who have availed the benefits of the RGJAY Scheme shown in **Chart 1**.

Chart 1: Comparison of APL and BPL ration card holders who availed benefits under RGJAY Scheme



Source: Information furnished by the Society

In selected districts as shown in Chart 1 revealed that the percentage of BPL ration card holders who had availed the Scheme benefits ranged from one to four *per cent* whereas the percentage of APL ration card holders availing of the Scheme benefits were in the range of four to 13 *per cent*. Thus, lesser

number of BPL ration card holders had availed the Scheme Benefits in comparison to APL ration card holders. This showed that publicity among the BPL beneficiaries was not adequate.

A large number of patients from Thane, Jalgaon, Ahmednagar, Beed, Buldhana and Nanded Districts had availed treatment from empanelled hospitals in Mumbai, Nashik and Aurangabad Districts, due to non-availability of infrastructure and appropriate medical facilities in these districts.

The Government stated (November 2017) that the patients migrate to Metro cities to avail better treatment, and availing treatment is also subject to individual choice and also depends on the current location of the beneficiaries.

Government may consider the pattern of treatments availed, and provide necessary medical infrastructure facilities so that beneficiaries could avail of these facilities in their own district, which would help in minimising migration of beneficiaries.

3.1.9 Financial Management of the Scheme

The details of the policy year-wise coverage of beneficiaries, claim received, paid, rejected and outstanding is shown in **Appendix 3.1.1**.

3.1.9.1 Rejection/Closure of claims by Insurer

i) Rejection of Claims

The Insurer Company had rejected claims worth ₹ 81.29 crore (June 2017) which included rejected claims of ₹ 39.07 crore (48 per cent) pertaining to Government Hospitals and ₹ 42.21 crore (52 per cent) pertaining to Private Empanelled Hospitals. Audit observed that

- comparison of total expenditure incurred on the surgery carried out in the Private Empanelled Hospitals and that of Government Hospitals revealed that the rejection of the claims were more in the Government Hospitals than in the Private Empanelled Hospitals as shown in **Table 3.1.1**.

Table 3.1.1: Comparison of total surgeries carried out in the Government and private Empanelled Hospital vis-à-vis rejection claims.

(₹ in crore)

Type of Hospitals	Total Surgeries/therapies		Claims rejected		Percentage of Rejection of Claims
	Number	Amount	Number	Amount	
Government	2,30,229	583.91	12,970	39.07	7
Private Empanelled	10,22,165	2,484.27	17,190	42.21	2

Source: Information furnished by the Society

- Society had also created Claim Appeal Module with the objective to provide the hospitals second last chance to represent if their claims were rejected by the Chief Medical Officer (CMO). Such appeal however, should be initiated within 20 days from the date of rejection of claim by CMO. In 19 test check Government/Municipal Corporations/Council hospitals revealed that due to non-availability of the mandatory documents, procedure video, scar photo *etc.*, the hospitals did not submit the appeal within the prescribed time limit of 20 days, resulting in loss of

₹ 25.90 crore pertaining to the claims for period from August 2013 to March 2017.

The Government stated (November 2017), that, the insurer rejected the claims due to non-submission of mandatory documents like OT notes, lab investigations or procedures done before preauthorisation. Despite giving so many relaxations to Government Hospitals they had failed to submit the minimum required documents for claims approval hence the rejection percentage of Government hospitals was higher than the Private hospitals. Further, the above problem was discussed in the meeting with the Directors of DMER, DHS & MCGM held on 21 August 2017, under the Chairmanship of the CEO, and the hospitals were instructed to follow recommended protocol.

The fact remained that due to lapses by the empanelled Government/Municipal Corporations/Councils hospitals there was a loss on account of claims not accepted by the insurer.

ii) Closure of claims

Audit further noticed that in 19 test checked Government/Municipal Corporation/Councils hospitals, claims amounting to ₹ 3.58 crore were finally closed by the Insurer Company due to delay in submission of claims.

The Government stated (November 2017) that as per clause 23.3 of MOU Phase I and Phase II, the cases which were not submitted or updated by the Hospital for specific policy year, NIC and State Health Assurance Society (earlier RGJAYS) had taken joint decision to close such cases after providing specific time period from closing of the policy year and end of runoff period. The empanelled hospitals were asked to update the pending cases and submit the claims after which the cases were closed.

3.1.9.2 Irregularities in payment of insurance premium

i) Payment of insurance premium of ineligible beneficiaries

The benefits of the Scheme would not be available to beneficiaries having income above ₹ one lakh. It was noticed that the Society had paid insurance premium of ₹ 5.14 crore¹⁸ in respect of 1,37,437 beneficiaries whose income was more than ₹ one lakh resulting in payment of insurance premium of ineligible beneficiaries to that extent. Out of ₹ 5.14 crore, the Insurer Company had refunded ₹ 3.71 crore to the Society, and the balance of ₹ 1.43 crore, is yet to be refunded by the Insurer Company (June 2017), though claimed.

The Government stated (November 2017) that for adjustment of earlier surplus premium of ₹ 1.43 crore to be recovered from the insurance company and the matter is under arbitration.

Thus, payment of premium without verification of the eligibility of the beneficiaries reflected poor internal checks/controls in the Society which ultimately benefited the Insurer Company.

¹⁸ $1,37,437 \times ₹ 333 = ₹ 4,57,66,521 \times 12.36 \text{ per cent Service Tax} = ₹ 5,14,23,263$

ii) Recovery/Non-adjustment of surplus premium

Clause 14 of the MoU of Phase II provides that if there is a surplus after the claims experience on the premium (excluding Service Tax) at the end of the policy period, after providing for 20 *per cent* of the premium paid towards the Insurer Company's administrative cost, 90 *per cent* leftover surplus was to be refunded by the Insurer to the Society within 60 days of the expiry of the run-off period of one month.

It was seen in audit that as on June 2015 the surplus lying with the Insurer Company was ₹ 87.50 crore. Accordingly, the Insurer company was to refund ₹ 78.75 crore (90 *per cent* of ₹ 87.50 crore) to the Society, whereas the Insurer Company, refunded/adjusted only ₹ 31.12 crore, and the balance of ₹ 47.63 crore were with the Insurer Company.

It was further noticed that the Insurer Company had already adjusted 20 *per cent* of the premium paid for administrative cost of the Scheme and hence further adjustment of ten *per cent* from the surplus though mentioned in the MoU was not admissible. This had resulted in double benefits of ₹ 8.75 crore to the Insurer Company.

The Government stated (November 2017) that as per clause 64 VB of IRDA regulations, total premium has to be paid in advance to cover risk in the policy, due to which society could not adjust the balance surplus with any premium payments. Further, as the Insurer is bearing the losses when the utilisation of the scheme is more than the premium paid and also out of profit earned by the Insurer, 90 *per cent* of the profit is shared and 10 *per cent* is kept with the insurance company, which is as per Clause 14 of the MOU.

The reply is not acceptable since 20 *per cent* of the premium paid is already adjusted for administrative cost of the Scheme and hence further adjustment of 10 *per cent* from the surplus, though mentioned in the MOU is unwarranted.

3.1.9.3 Absence of wide publicity as per norms

As per Clause 26 of the MoU of Phase I and II of the Scheme, the Insurer should ensure that the proper publicity by way of electronic & print media, distribution of brochures/individual print material to the Beneficiaries, banners, display board, guide-book, toll free telephone number, the list of network providers, information boards of policy and benefits, theatre sliders, cable television scrolls, help desk at Primary Health Centres and assistance counters at Empanelled hospitals *etc.*, for better knowledge about the Scheme to the general public. Further, the Insurer should spend two *per cent* of the premium of the total beneficiaries received.

Audit scrutiny revealed that the Society paid ₹ 2,710.89 crore for the total 9,34,95,025 beneficiaries from 2011-12 to 2016-17. Accordingly, the Insurer was to spend ₹ 54.22 crore (two *per cent* of total premium received by the Insurer) on the publicity of the Scheme. It was, however, noticed that the Insurer had spent only ₹ 37.15 crore on publicity of the Scheme.

The Government stated (November 2017) that the Society has now submitted a publicity plan given by Directorate General of Information and Public Relations, (DGIPR) worth ₹ 10 crore to Public Health Department for approval.

The fact remained that during the period covered the insurer company had not ensured wide publicity to the Scheme, which adversely impacted the coverage of the Scheme to more beneficiaries.

3.1.9.4 Printing of Health Cards

Non-reimbursement of expenditure by the Insurer

As per Clause 26 of the MoU of Phase I and II, the expenses on printing of Health Cards to be issued to the Beneficiaries are to be borne by the Insurer Company. It was, however, noticed that during the period from 2011-12 to 2014-15, the Society spent ₹ 9.65 crore on printing of 1.20 crore Health Cards (Phase I and Phase II cards). However, it was neither refunded by the Insurer Company nor did the Society adjust the same from the dues payable to the Insurer till date (June 2017).

The Government stated (November 2017) that the Society has issued reminder in August 2017 for reimbursement of ₹ 9.65 crore spent on account of printing and distribution of Health Cards which is part of IEC. Further as per clause 64 VB of IRDA regulations total premium has to be paid to cover the risk in the policy, due to which the Society could not adjust the above amount with the premium.

3.1.9.5 Non-recovery of liquidated damages

According to Clause 12 & 13 of the MoU I & II, the Insurer was required to perform multiple activities in performance of its obligations under the Agreement, the Scheme and the Policy. Any activity not performed by the Insurer within the given time line would hamper and adversely affect the implementation of the Scheme from the due date and cause damages and losses to the Insured and the Beneficiaries. Further, the Insurer is required to complete the activities listed in the Agreement within the specified period from the date of said Agreement, failing which liquidated damages at specified percentage on total premium per week/month was to be paid by the Insurer to the Society for the period of delay. Maximum liquidated damages were limited to ₹ one lakh only for Phase II of the Scheme.

Audit observed that the liquidated damages of ₹ 96.08 crore of Phase I and ₹ three lakh of Phase II for non-compliance of the activities such as establishment of 24 hours call centre, insufficient/installation of infrastructure, providing cashless treatment *etc.*, in each District covered under the Scheme were not recovered for four years in respect of Phase I and three years in respect Phase II.

The Government stated (November 2017) that process for invoking the arbitration process as per Dispute Resolution Clauses of MoU I and II was in progress.

3.1.9.6 Non-crediting of excess claim money by Hospitals to Government account

As per Rule 8 (1) of Maharashtra Treasury Rules (MTR) 1968 Volume I, money received on account of revenue to Government should be credited into Government Treasury within two days from the date of its receipt. It was seen that PHD, GoM permitted (June 2013) the Government NWHs to incur expenditure on consumables and honorarium required for treatment of the

beneficiaries to the extent of 50 per cent of claim money received from the insurer at the hospitals and no instructions were given for crediting the balance money to Government account.

Audit scrutiny revealed that the NIC had reimbursed claims amounting to ₹ 249.39 crore¹⁹ to 60 hospitals²⁰ against 1,29,828 cases²¹, but the balance amount stood deposited in bank accounts of respective hospitals, had not been credited to the Government treasury. Test check of 15 Government NWHs in ten selected districts revealed that fund of ₹ 59.52 crore²² were lying unspent resulting in un-authorised retention of Government money. Government may give immediate instructions to the hospitals to credit the excess claim money to Government account.

The Government stated (November 2017) that the Society has sought guidelines for crediting of excess claim money by hospital to Government account, which is under consideration.

3.1.9.7 Understatement of assets

The Annual Accounts of the Society are audited by the Chartered Accountant empanelled with the Comptroller and Auditor General of India. The audit of the accounts of the Society was done upto the financial year 2015-16.

Scrutiny of Annual Accounts for the financial year from 2012-13 to 2015-16 revealed that the expenditure incurred by the Society on behalf of the Insurance Company on various occasions and excess/surplus premium of ₹ 61 crore paid to Insurance Company was not shown as recoverable from the Insure Company. This has resulted in understatement of assets to that extent.

The Government stated (November 2017) that the recoverable amount from the Insurer will be shown as notes to accounts in the annual accounts for the year 2016-17.

3.1.10 Monitoring and internal control

3.1.10.1 Shortfalls in Governing Council Meetings

As per Government Resolution of PHD of July 2011, and the RGJAYS Rules and Regulations, 2010, the Governing Council should meet once in every quarter for smooth running of the Scheme.

Audit scrutiny revealed that as against the 23 meeting, only four meetings of the Governing Council were conducted upto March 2017 thereby impacting monitoring and management of the Scheme.

The Government stated (November 2017) that due to some unforeseen circumstances and administrative reasons, meetings of Governing Council were not conducted. For some important issues and decisions like extension of Phase I of MOU were taken by circulation of file to the Governing Council members. Correspondence for scheduling of the Governing Council meeting is now being done.

¹⁹ Hospitals under the Jurisdiction of PHD: ₹ 60.38 crore and Medical Education and Drugs Department (MEDD): ₹ 189.01 crore

²⁰ PHD: 41 and MEDD: 19

²¹ PHD: 36,157 cases and MEDD: 93,671 cases

²² ₹ 25.22 crore and ₹ 34.31 crore in bank current and saving account respectively

3.1.10.2 Pending Grievances

As per clause 43 of the MoU at District level, District Grievance Redressal Committee chaired by the District Collector and at State level, State Grievance Redressal Committee chaired by the CEO of the Society is to be constituted for redressal of the grievances of the beneficiaries of the Scheme. Besides, a separate set-up under the supervision of the Executive Director of the Insurer at Corporate Office is to be constituted to deal with the grievances of the beneficiaries.

Audit scrutiny revealed that out of 11,019 grievances²³ received during the period from 2012-13 to 2016-17, 9,481 cases²⁴ were settled and 1,538 remained unsettled²⁵ as on 31 March 2017.

Of the unsettled grievances of the beneficiaries it was seen that, 1,311 grievances related to collection of money by empanelled hospitals which was 85 *per cent* of the total unsettled grievances. It was further noticed that the grievances of collection of money in private hospital was 822 (63 *per cent*) in comparison with the grievance at Government Hospital was 489 (37 *per cent*).

The Government stated (November 2017) that out of 12.53 lakh surgeries/procedures performed under the Scheme only 11,019 grievances were raised which works out to mere 0.88 *per cent* of the total surgeries/procedures. Strict action is being taken against hospitals where practice of money collection does not stop, by suspending/de-empanelling them from the Scheme. The Society is working out a mechanism/framework for resolving grievances related to out of pocket expenses incurred by beneficiaries in government hospitals.

Since the Scheme envisages cashless treatment, inconvenience due to out of pocket expenses caused to significant number of patients defeated the cashless facility of the Scheme, and hence the same required urgent remedial steps.

3.1.10.3 Non-preparation of Annual Report and Bye-laws of the Society

The RGJAYS, Rules and Regulations 2010, provide that the society will approve, adopt and prepare Annual Reports, frame bye-laws in conformity with the Rules and Regulations, business of the Society and provision in annual budget be made by the Government as per the premium fixed by the RGJAYS for the total number of beneficiaries and administrative charges, official expenditure, wages, allowances, infrastructural support, motor transport, petrol, oil and lubricants *etc.* of the staff of the society (corpus/funds of the society). The society may also accept donations from bonafide sources, subject to approval of the Governing Council.

Audit scrutiny revealed that Annual Report, Bye-laws of the Society was not prepared. Further, the corpus/funds were also not created by the Society which was necessary for monitoring and management of the scheme.

²³ Government hospital: 2,302 and Private hospital: 8,717

²⁴ Government hospital: 1,778 and Private hospital: 7,703

²⁵ Government hospital: 524 and Private hospital: 1,014

The Government stated (November 2017) that Society Committees were established under the CEO for finalising both annual report and bye-laws and action is being taken in this regard.

3.1.11 Conclusion and Recommendations

The Theme Audit of RGJAY as implemented in the State revealed that Government/Society had obtained data of total number of Ration Cards holders without any details such as name and Ration Card Number. Therefore the correctness/authenticity of the beneficiaries covered under the scheme could not be verified in audit. The health cards to the beneficiaries as envisaged in the Scheme, in order to identify the beneficiaries as well as make the beneficiaries aware of the Scheme benefits were not distributed. Expenditure on printing of health cards was also rendered wasteful. Excess insurance premium was paid in respect of all white Ration card holders instead of restricting it to the white Ration card holder farmers of the 14 suicide-prone districts.

The Government may ensure that

- **The name and ration card number wise data is obtained from the Food, Civil Supplies and Consumer Protection Department and that the Society creates a complete database of eligible beneficiaries;**
- **The insurance premium may be paid to the Insurer with the list of eligible beneficiaries and not on number of beneficiaries;**
- **Provisions be made for obtaining declarations from applicants that beneficiaries are not Government/Semi-government servants and income tax payers, and the Society checks these before covering the beneficiaries under the Scheme;**
- **The Society may remove such ineligible beneficiaries from all records and intimate the hospitals concerned;**
- **The Health Cards be issued to all eligible beneficiaries for availment of benefits of the Scheme; and**
- **White Ration Card holder farmers of the 14 Suicide Prone Districts may be identified, before renewing the policy with the Insurer.**

Sufficient number of *Argoyamitras* were not appointed in all the empanelled hospitals whereas no *Arogyamitras* were appointed in Rural/Primary Health Centres/Sub-district/Women Government Hospitals thereby impacting counselling of the beneficiaries and their families and facilitating the referral/treatment of the patients. The expenditure on publicity was less than the norms prescribed, impacting creation of awareness of the Scheme benefits.

As against the premium of ₹ 3,009.31 crore paid to the Insurer Company until November 2016 covering 9.35 crore beneficiaries under the Scheme, the claims received for settlement were meagre 11.89 lakh due to absence of wide publicity to the Scheme, shortfalls in conducting health camps and non-appointment of *Arogyamitras* at primary health centres. Thus the Scheme

benefits were not commensurate to the expenditure incurred on the premium paid to Insurer. Besides, excess premium of ₹ 1.43 crore paid to the Insurer against ineligible beneficiaries had not been refunded by the Insurer Company. A huge balance of surplus premium of ₹ 47.63 crore was lying with the Insurer Company which was due for remittance to the Government. The Insurer Company had also got double benefit of ₹ 8.75 crore due to further adjustment of ten *per cent* of the surplus premium lying with them. Surplus funds of the claim money received by empanelled hospitals were lying with them, since the Society did not ensure the return of these funds to Government account.

Government may ensure that

- **Sufficient number of Arogyamitras are appointed in Rural/Primary Health Centres/Sub-District Hospital/Women Government Hospital so that more number of beneficiaries avail the benefits of the Scheme and that they receive assistance at the hospitals to avail these benefits;**
- **Wide publicity may be given to the Scheme and the fund earmarked for the same be fully utilised; and**
- **Looking at the poor coverage of the Scheme among BPL and APL beneficiaries, with reference to the total expenditure incurred, Government may thoroughly revamp the Scheme features.**

The deficiencies mentioned above are a pointer to the need to streamline the implementation more effectively.

Medical Education & Drugs Department

3.2 Upgradation of Government Medical Colleges under Pradhan Mantri Swasthya Suraksha Yojana

3.2.1 Introduction

The Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) was launched on 15 August 2003 with the objective of correcting the imbalances in the availability of tertiary care hospitals/medical colleges providing super speciality services and improving the quality of medical education in the under-served States of India. The programmes were funded by the Central as one time intervention and State Government on sharing basis. The upgradation of Government Medical Colleges (GMCs) approved under Phase-I of PMSSY was to be completed by March 2011. In Phase-II, it was to be completed by February 2012. Out of six GMCs identified for upgradation under PMSSY, related records of two GMCs *viz.*, GMC Mumbai and Nagpur were scrutinised. Records relating to PMSSY maintained at Medical Education and Drugs Department (MEDD), Director, Medical Education and Research (DMER), and executing agencies²⁶ responsible for construction were

²⁶ Executive Engineer (EE), Integrated Unit (Public Works) Division, Mumbai, EE, Integrated Unit, Public Works (Medical), Nagpur

scrutinised. Physical verification of some of the equipment purchased under PMSSY was also carried out for the period since introduction of the scheme. Audit was conducted to see whether procurement of equipment and civil works were done as per Government Rules and effectively utilised.

3.2.2 Audit Findings

3.2.2.1 Planning

Identification of GMCs: With a view to achieve the objectives of PMSSY, the State was required to identify the imbalances in availability of affordable/reliable tertiary level health care and quality medical education. Upgradation of existing GMCs was to be undertaken through a proposal approved by Project Management Committee (PMC) chaired by Secretary, Ministry of Health & Family Welfare, Government of India (MoH&FW). Prior to finalising the proposal, gap analysis of individual institutions, facilities and requirements was to be carried out wherein gap between existing and required facilities was to be analysed.

It was observed that no gap analysis of individual institutions, facilities was conducted by MEDD/DMER. Instead, proposals were submitted²⁷ by respective Deans to MEDD. MEDD in turn, submitted²⁸ the proposals to MoH&FW. An amount of ₹ 115.95 crore and ₹ 142.60 crore were received and expenditure of ₹ 108.30 crore and ₹ 135.52 crore were incurred by GMC Mumbai and Nagpur respectively.

In reply to the audit observation, DMER stated (September 2017) that no gap analysis was conducted for any of the GMCs approved for upgradation.

Thus, in the absence gap analysis, the very objective of this scheme to correct the regional imbalance in availability of affordable/reliable tertiary healthcare services was not met.

3.2.2.2 Scheme Implementation

As per the Scheme, the upgradation of GMCs envisaged strengthening the existing departments through building up of super speciality blocks, trauma care centres, nursing college, outpatient department, and procurement of medical equipment. The proposal for upgradation of GMC Mumbai was approved in May 2008 under Phase I for ₹ 120 crore and for GMC Nagpur in August 2009 under Phase II for ₹ 150 crore by PMC.

3.2.2.3 Procurement of equipment

Under PMSSY, procurement of equipment had been segregated into following two categories:

- i) Low end and uncommon equipment (costing below ₹ 30 lakh) were to be procured by the respective GMC/institution. Responsibility of bidding, procurement and commissioning was completely left to the GMC/institution.
- ii) High end and common equipment (costing above ₹ 30 lakh) were to be procured by HLL Lifecare Limited (HLL). The role of HLL was limited to

²⁷ GMC, Mumbai – July 2005 and GMC, Nagpur – June 2008

²⁸ GMC, Mumbai – July 2006 and GMC, Nagpur – June 2008

finalisation of bidding process and issuance of Notification of Award. Remaining activities such as placement of orders, inspection, delivery, installation, commissioning, Annual Maintenance Contract (AMC)/Comprehensive Annual Maintenance Contract (CMC) would be the responsibility of the GMC/institution. Audit findings are discussed in succeeding paragraph.

- **Non-procurement of equipment**

GMC Mumbai submitted a detailed procurement action plan in July 2008 and received Central funds of ₹ 95.95 crore between 2007-08 and 2009-10. Similarly, GMC Nagpur received Central funds of ₹ 111.53 crore during 2010-11 to 2016-17. Physical and financial progress of equipment procurement is indicated in the **Table 3.2.1**.

Table: 3.2.1: Target and achievement regarding procurement of equipment

(₹ in crore)

GMC	Target		Achievement	
	Physical	Financial	Physical	Financial
Mumbai	448	96.95	299 (67%)	90.56 (93%)
Nagpur	288	125.00	181 (63%)	104.45 (84%)
Total	736	221.95	480 (65%)	195.01 (88%)

It is seen from the above table that for procurement of remaining 256 pieces of equipment having an estimated cost of ₹ 40.38 crore, the GMCs were left with only ₹ 26.93 crore. It was further observed that the actual cost of procurement was higher than the approved cost of the equipment in 237 cases. Further, as per the procurement guidelines, procurement shall not in any case exceed the amount earmarked for this purpose and any procurement of equipment that exceed the allocation, shall be borne by the State Government/Institution concerned. No reply has been furnished by Government (November 2017).

- **Irregularities in procurement**

As per the conditions attached to Notification of Award issued by HLL, respective GMCs were responsible to execute contract agreement with the supplier, obtain performance security for an amount equal to 10 *per cent* of total value of contract, and execute CMC for five years after the expiry of warranty period. In case of State Level Purchases (SLP), the GMCs were to enter into an agreement for due performance of the contract, obtain security deposit (SD) at three *per cent* of the total cost of equipment valid for three years/till expiry of warranty, performance guarantee (PG) at five *per cent* of the total cost of equipment valid for 10 years and CMC for eight years after expiry of warranty period. For delayed delivery of equipment, liquidated damages (LD) at 0.5 *per cent* of contract price were to be recovered from the bills of supplier subject to maximum of 10 *per cent* of the total cost of the equipment.

It was observed that neither GMC Mumbai nor GMC Nagpur executed any contract agreement with suppliers, nor obtained any performance security from the supplier regarding purchases done through HLL. This resulted in extension of undue benefit to the suppliers amounting to ₹ 13.32 crore for 242 equipment valuing ₹ 133.19 crore, in the form of foregone performance security. Further, CMC agreements were not executed for the procurement carried out through HLL, by any of the GMCs for ensuring satisfactory

functioning of the equipment after expiry of warranty period. In reply, GMC Nagpur stated (August 2017) that the responsibility of procuring performance security and CMC lies with the HLL. Similarly, GMC Mumbai while confirming the fact stated (September 2017) that as the purchases were finalised by HLL, hence the contract agreement and performance bank guarantee were not taken by GMC, Mumbai.

The reply is not acceptable being contrary to the provisions of procurement guidelines.

- **Non-functional equipment**

As per the procurement guidelines, the delivery of equipment was to be scheduled in such a manner that no equipment was to remain unutilised for want of space/furnished premises.

In GMC Nagpur and Mumbai, five equipment procured at the cost of ₹ 98 lakh during April 2015 to August 2016 could not be installed for want of required civil & electrical works and other statutory permissions.

Further, 31 equipment costing ₹ 8.22 crore were found non-functional at two GMCs owing to software problems, lack of supporting equipment/infrastructure and occurrence of defects.

3.2.2.4 Civil Works

GMC Mumbai, out of 16 approved construction works for ₹ 20 crore, took up one work of construction of Administrative Building with the approved cost of ₹ 10 crore. As per the orders (September 2006) of the MoH&FW, GoI, the work of project consultancy and execution of upgradation was to be carried out through Hospital Services Consultancy Corporation Limited (HSCC). However, GMC Mumbai executed the work through PWD instead of HSCC. The State PWD issued (May 2009) tender notice prior to receipt of technical sanction and also placed work order before receipt of 'no objection certificate' (NOC) from the Municipal Corporation of Greater Mumbai (MCGM) on the grounds of urgency, resulting in changes in the scope of the work for complying with the conditions associated with NOC. This led to execution of 'extra items' of work costing ₹ 2.43 crore and also increase in 'quantities' amounting to ₹ 0.90 crore in the tender.

In reply, GMC, Mumbai confirmed the facts and stated (May 2017) that work was delayed due to change of plans and drawing as recommended by Heritage Committee and due to changes in orientation of building as per site condition. It was further noticed that fourteen works proposed for upgradation under PMSSY with an estimated cost of ₹ 11.15 crore were not executed by GMC Mumbai due to financial crunch. Also Trauma Care Centre was not constructed by the GMC Mumbai as the work of multipurpose building was completed at a cost of ₹ 17.73 crore which was met entirely from PMSSY funds. Hence, GMC Mumbai was left with a balance of ₹ 2.27 crore for executing the remaining 14 works, costing ₹ 11.15 crore. GMC Mumbai stated (September 2017) that due to non-availability of funds, remaining works could not be executed.

Similarly, GMC Nagpur, MEDD approved (January 2011) six works which were to be completed by February 2012. Out of these, two works were

cancelled²⁹ as these works were executed from other sources of fund. Two works namely Trauma Care Centre and construction of three new wards were completed in June 2014 and November 2015 respectively with delays ranging from 28 months to 43 months. Remaining two works viz. construction of three ICCU³⁰ wards and construction of three wards were in progress as of July 2017. The time over-run in execution was mainly attributed to delay in preparation of detailed estimates ranging from 15 to 66 months. Thus, even after lapse of more than five years, the intended objectives of providing improved health care facilities to public at large from 2012-13 remained unachieved.

3.2.2.5 Miscellaneous Observations

The procurement guidelines under PMSSY stipulated that procurement of equipment shall be as per list approved by the institution with the help of experts from GoI and excess expenditure incurred, if any, over the approved cost would be borne by State/GMCs. Further, grants were not to be diverted for any other purpose. Scrutiny of records revealed that

- i) GMC Mumbai and Nagpur procured 155 equipment for ₹ 9.58 crore, which were not included in the approved list of equipment and excess expenditure of ₹ 55.25 crore on procurement of equipment during Phase-I and II, was incurred from the PMSSY funds at GMC Mumbai and Nagpur instead of from the State/GMCs fund.
- ii) An amount of ₹ 33.74 lakh was transferred from PMSSY account maintained by GMC Mumbai to the bank account of Sir J. J. Hospital in October 2010. However, no vouchers/documents for expenditure of this amount were produced to audit.
- iii) GMC Nagpur maintained separate PMSSY Cash Book for Central share of the Scheme and the State share of ₹ 31.07 crore received for civil construction was included in college cash book instead of PMSSY Cash Book which was irregular.

3.2.3 Conclusion

Audit of Upgradation of Government Medical Colleges (Mumbai and Nagpur) under Pradhan Mantri Swasthya Suraksha Yojana revealed that no gap analysis of existing facilities and future requirements in tertiary care was carried out. The upgradation programme of GMCs could not be implemented as per the plan and there were instances of enormous delays, non-execution of civil works and non-procurement as well as non-installation of equipment for want of space. Equipment worth ₹ 9.17 crore were not installed/remained non-functional due to want of required civil/electrical works, lack of infrastructure/supporting equipment/software *etc.*, Non-adherence to the conditions relating to execution of contract agreement and performance security resulted in extension of undue benefits to suppliers of equipment.

²⁹ One work (construction of central clinical laboratory) was completed from budgeted head, and other work (construction of sterilisation and store building) was proposed in newly constructed medicine store building

³⁰ Intensive coronary care unit

The matter was referred to State Government in August 2017; their reply was awaited as of November 2017.

Higher and Technical Education Department

3.3 Functioning of Rashtrasant Tukadoji Maharaj University, Nagpur

3.3.1 Introduction

The Rashtrasant Tukadoji Maharaj University, Nagpur (University) was established on 4 August, 1923 and is governed by the Maharashtra Universities Act, 1994 (Act)³¹. The University has 39 Post-graduate Teaching Departments (PGTD), three³² conducted³³ Colleges/Institutions and three³⁴ Autonomous Colleges/Institutes. Further, the University has 600 affiliated colleges, nine faculties with more than three lakh students pursuing nearly 275 different courses.

The Governor of the State is the Chancellor of the University. The Chancellor appoints Vice-Chancellor (VC) for a period of five years. The Chancellor in consultation with the VC appoints the Pro-Vice Chancellor (Pro-VC). The Governing Body *i.e.* the Senate is the principal authority for all financial matters and for providing feedback on current and future academic programmes. The Registrar is in-charge of the administration; the Finance and Accounts Officer and the Controller of Examinations are responsible for looking after financial and examination related matters respectively. The Department of Higher and Technical Education (HTE), Government of Maharashtra (GoM) exercises control over the activities of the University.

Audit was conducted between January and June 2017 covering a period of five years from 2012-13 to 2016-17, to examine the functioning of University especially in the areas of teaching and research, accreditation and affiliation and infrastructure facilities. The audit findings are discussed in the succeeding paragraphs.

Audit Findings

3.3.2 Planning

3.3.2.1 Unrealistic Perspective Plans

The Maharashtra University Act, 1994 lays down the procedure for opening new colleges or institutes of higher learning. It requires the University to prepare a Perspective Plan (PP) with due regard to the needs of un-served and under-developed areas within the jurisdiction of the University and get it approved by State Council for Higher Education. Accordingly, the University

³¹ Prior to this it was governed by the Nagpur University Act, 1974

³² Law College, Laxminarayan Institute of Technology (LIT) , and College of Education

³³ Conducted college:-College Maintained and Managed by University

³⁴ Ramdeobaba College of Engineering & Management, Yashvantrao Chavan College of Engineering and G.H.Raisoni College of Engineering

prepared a PP for the period 2008-2014, covering under-graduate/post-graduate colleges and professional colleges, research and extension centres.

Audit observed that though the PP mentioned the overall target for opening new colleges, year-wise developmental activities to be carried out by the University along with details of financial outlay were missing. Subsequently, as per the directions (October 2015) of GoM, the University prepared the revised PP for the session 2016-17.

It was further noticed that the University added 296 new colleges (28 *per cent*) against the target of 1,052 new colleges during 2008-14 and five new colleges were added against the target of 34 new colleges during 2016-17.

The University could not provide the reasons for shortfall in the target.

3.3.2.2 Teaching and Research

The Academic Council (AC) is headed by the VC. The Pro-VC, the Deans of Faculty, Chairpersons of the Boards of studies and 18 other members are responsible for preparing the policies and programmes to maintain and improve standards of teaching, research, extension, collaboration programmes. The AC also have to submit the feasibility report on academic programmes recommended by the Senate in its annual meeting.

Audit observed that the AC had neither laid down any academic policy nor did they evaluate workload of teachers. The Act stipulated that a Committee should review the utility of the existing courses of study so as to modify them in the light of new knowledge or changing social requirements. However, no Committee had been formed to review the existing courses of study and prepare a feasibility report.

On being pointed out by audit, it was replied (March 2017) that various decisions taken by the AC were in consonance with the policy. It was also stated that there was no necessity to take up periodical review as it was a continuous process.

The reply is not tenable as the National Assessment and Accreditation Council (NAAC), had found (February 2014) lacunae in curriculum enrichment, absence of measures for consultancy and collaborative research, inadequate research space and facilities, non-operational centralised instrumentation facility and lack of measures for containing drop-outs. This indicated that the AC was ineffective and had failed to fulfil its mandate.

3.3.2.3 Availability of teaching/non-teaching/statutory staff

In order to maintain academic standards availability of qualified and experienced teachers/faculty/non-teaching staff is a pre-requisite; as shortage on this account adversely affects the quality of education. In this regard, it was observed that there was continuous shortage of teaching staff in the University and colleges during the period from 2012-17, ranging from 33 to 48 *per cent*. Further, eight³⁵ PG departments had more than 50 *per cent* vacancies in teaching staff since last five years.

³⁵ Linguistics, Political Science, Law, Mass Communication, Psychology, Fine Arts, Marathi and Sanskrit

The University stated (May 2017) that 883 contributory teachers were hired to fill the gaps. The matter regarding non-teaching staff was being pursued with the Government and an advertisement for recruitment to 23 posts had been published. The work of the vacant posts was being done by allotting additional charge to the regular staff.

The reply is not tenable as the vacancy position remains unaltered and appointment of contributory teachers cannot be a substitute for regular teachers.

3.3.2.4 Mandatory teaching of 90 days

The UGC Regulations 2003 prescribe minimum of 180 teaching days in an academic year. This translates to 90 days for each session in the recently adopted (2013-14) two semester pattern. The notifications are issued every year in the month of May by the University for each academic year reiterated the requirement to pursue a regular course of study for not less than 90 days of the academic session before being examined for any semester examination.

It was observed that the actual teaching days ranged between 36 and 75 days during the period from 2014-15 to 2016-17. This compromised the teaching/learning hours.

On this being pointed out, it was replied (June 2017) by the Head of the Department of respective Departments that extra classes were taken on holidays to cover the syllabus.

The reply is not tenable as it is in contravention of the UGC Regulations which provide for determination of teaching hours excluding the holidays.

3.3.2.5 Declaration of Results

The Act provides for declaration of the results of every examination within 30 days from the last date of examination and in any case not later than 45 days from the last date of examination. If for any reasons the University was unable to follow the schedule, a report incorporating the detailed reasons for such delay was to be submitted to the Chancellor and to the GoM.

It was observed that during summer 2012 to summer 2016, of the 6,074 results declared 3,168 (52 *per cent*) results were declared with a delay ranging from 50 to more than 100 days. No report incorporating the reasons for delay in declaration of results was submitted by the University to the Chancellor and to the GoM. No timelines were prescribed for declaration of result of revaluation.

3.3.2.6 Research Projects

Research activities are vital to academic institutions. The research projects are funded by UGC, Department of Science and Technology (DST), and All India Council of Technical Education (AICTE) and also by the University.

Audit noticed that 132 research projects were assigned to Laxminarayan Institute of Technology (LIT), Nagpur and various teaching departments during 2012-17. It was observed that the University did not have any centralised mechanism to monitor actual progress and outcome of research activities. As a result, only 27 projects were completed as of June 2017. Delay ranging from four to 38 months were noticed in 38 research projects after their due date of completion. Further, no research papers were published during

2012-17. In none of the projects were the equipment/instruments acquired during 2012-17 by the project Principal Investigators (PIs) concerned transferred to the University.

On this being pointed out by audit, the University stated (May 2017) that most of these projects were UGC funded for which UCs and other reports were pending with the Principal Investigators.

3.3.3 Accreditation, Affiliation and Recognition

The accreditation status indicates that the particular Higher Educational Institution (HEI) - a college, a University, or any other recognised unit therein, meets the standards of quality as set by the Accreditation Agency.

3.3.3.1 Accreditation of University affiliated colleges

The University grants affiliation to new colleges, subject to their obtaining accreditation from National Assessment and Accreditation Council (NAAC) within five years of their establishment. The UGC Regulations (February 2014) on Affiliation of Technical Colleges also provides for mandatory accreditation of the technical colleges by NAAC and their programmes by National Board of Accreditation (NBA) while seeking affiliation/renewal of affiliation from the University.

It was observed that out of 600 affiliated colleges, 553 colleges were established prior to 2011. Hence, these 553 colleges were required to obtain NAAC accreditation and NBA approval, applicable to technical colleges as indicated in **Table 3.3.1**.

Table 3.3.1: NAAC Accreditation and NBA approval as on March 2017

Sr. No.	Category	Number	NACC Accredited	NBA Approval	Active Accreditation and Approval
1.	Government Colleges	9	3	--	3
2.	Aided Colleges	140	107	--	56
3.	Unaided Colleges	335	8	1	4 (NAAC)
4.	Technical Colleges	69	8	8	6 (NAAC & NBA)
	Total	553	126	9	69

Source: Affiliation Section of University

From the above table it can be seen that, out of 553 colleges only 126 colleges obtained NAAC accreditation and nine technical colleges had the NBA approval for their programmes within five years of their establishment. As of June 2017, only 69 colleges had active NAAC accreditation and only six colleges had active NBA approval. Thus, 484 (553-69) colleges were operating without mandatory NAAC accreditation and NBA approval.

The University while accepting the fact stated (May 2017) that most of these colleges were unaided and were functioning without adequate teachers and infrastructure. It was also stated that this would be brought to the notice of the Authority for taking appropriate action. Reply was not acceptable as there was no relaxation given in respect of unaided colleges in the Act and UGC Regulations for obtaining accreditation.

3.3.3.2 Extension of affiliation

The University Act and Rules do not provide for grant of provisional affiliation. Accordingly, the University issued (April 2007) a circular

prescribing a time frame for processing the applications for extending affiliation. The process of granting extension to the affiliation was to be completed before the start of the new academic year *i.e.* by the end of April and this period was spread over eight months starting from 31 August of the previous year. This circular also contained guidelines for appointment of Local Enquiry Committee (LEC) and procedure to be followed by the LEC and the University.

The LEC was required to look into six group of parameters³⁶ before recommending extension of affiliation of particular college. LEC's recommendations are to be approved by the Board of College and University Development. On test check it was observed that the University had 600 affiliated colleges as of January 2017. Of these, affiliation of 439 colleges (73 *per cent*) had expired in April 2017. In 293 colleges, the process of extending affiliation had started but 146 colleges had not applied for extension of affiliation.

i) On test check of 60 colleges, which had been granted affiliation between 1984 and 2010, it was observed that 21 colleges were operating in rented buildings for eight to 33 years since their establishment. Though the LEC had remarked on this, extension of affiliation was granted to these colleges. The University neither made any efforts to enforce the condition of own building nor took any action of withdrawal of affiliation against these colleges.

ii) A college applying for extension was required to get at least 25 *per cent* marks in each group of parameters by the LEC. A sample check of 60 colleges revealed that 24 colleges were awarded less than 25 *per cent* marks in various groups. However, affiliation of these colleges was continued in spite of not fulfilling the minimum required marks criteria.

iii) Out of 60 sampled colleges, in seven Colleges continuation of affiliation was granted irregularly. For two colleges, affiliation for six years and one year were granted though they were not eligible for affiliation. In five colleges, affiliations were granted in excess of one to five years against the norms. It was stated (May 2017) that this was done to protect the interest of the students.

iv) In 23 colleges, out of 60 test-checked colleges it was observed that the LEC awarded the marks incorrectly in violation of the method prescribed by the University for the same so that the colleges could meet the minimum requirement to qualify for the extension of affiliation.

v) Out of 60 selected colleges, extension to affiliation was granted provisionally to 44 colleges, for earlier and current period by clubbing the same in violation of the Act.

³⁶ 1) Availability of regular Principal, Teacher, staff and Office infrastructure 2) Building, Class Room, Laboratory, Sports Infrastructure *etc.*, 3) Library and its infrastructure *etc.*, 4) Teachers contribution in Research, Publication, participation in the exam process of University and results of the College 5) Participation in NSS/NCC/Adult education, Medical facility, extra-curricular activities *etc.*, 6) Regularity in meeting of Local Management Committee, College council, compliance of previous LEC observations, Complying with the Act, ordinance, rules and regulations *etc.*

vi) LEC had been reporting absence of regular teaching and non-teaching staff in 53 colleges. Despite this fact, these colleges were granted extension of affiliation. The University had also identified (June 2013) 250 such colleges and closed 71 of these; remaining 179 continued on the basis of an undertaking to rectify the shortcomings. However, five³⁷ out of these 179 Colleges test-checked in audit continued to operate in spite of the deficiencies.

vii) In 30 out of 60 sampled colleges, application for extension of affiliation was made after a delay ranging from one to 487 days from 31st August of the respective year. Though penalty was levied on delayed applications, as prescribed, irregular provisional affiliation was granted for the period in which the application for extension was under process without ensuring the fulfillment of criteria.

viii) The affiliation process was to be completed by the end of April of the ensuing academic year. It was noticed that in 40 out of 60 sampled colleges, grant of extension of affiliation was delayed by a period ranging from 11 days to 2,644 days.

On being pointed out, it was stated that as most of the affiliated colleges were unaided, hence they could not afford to appoint full time teachers and have infrastructure as per norm. But, to facilitate imparting of higher education in rural, hilly and tribal areas, the extension to their affiliation was granted by the University. The relaxation in affiliation process were given to protect the interest of students. It was also stated that new directions will be issued for streamlining the affiliation process. The reply was not acceptable as all the affiliated colleges were located in and around the city area. Further, non-maintenance of adequate teaching staff and infrastructure compromised with the quality of education besides flouting the norms prescribed for extension of affiliation.

3.3.3.3 Recognition as Higher Learning and Research Centre

The University had recognised 76 colleges/institutes as of April 2017, (57 colleges and 19 institutes), affiliated to it, as centres of 'Higher Learning and Research' which involved activities to be undertaken for pursuit of knowledge beyond learning and research activities in all fields of human endeavour. The recognised institutions were required to apply for continuation of recognition six months prior to the date of expiry of such recognition. The terms and conditions for seeking recognition as a place of higher learning and research are specified in Direction and Statutes issued by the University.

Sample check of 15 recognised colleges revealed following:

- (i) In 12 colleges, information regarding application received for recognition (new and renewal) was not available on record.
- (ii) In all the 15 colleges, mandatory annual progress report and six monthly progress reports on research works were never furnished by the respective colleges to the University.

³⁷ 1) Bhivgade National College, Nagpur 2) Mahalaxmi Jagdamba Bai, Arts, Commerce and Science College, Nagpur 3) Bala Mahavidyalay, Bela, Umred 4) Late. Nirdhan Patil Waghai, Arts, Commerce and Science College, Lakhni, Bhandara 5) Manoharbai Patel, College of Education, Bhandara

(iii) In 10 colleges, no application for renewal of recognition was received by the University even after the date of expiry of their earlier recognition period.

(iv) In 11 cases, the Visiting Committee³⁸ submitted its report immediately after paying visit to the colleges, but the orders granting recognition were issued to these colleges after a delay of one to four years from the visit date.

On being pointed out, it was stated (May 2017) that show cause notices would be issued to such colleges.

The fact remains that no serious efforts/measures were taken by the University to ensure any significant research activity or specialised study. The mandatory annual reports and half yearly reports highlighting the research activity/activities conducted in the subject/courses was never submitted nor demanded by the University during the period covered by the audit.

3.3.4 Management of resources

3.3.4.1 Management of University receipts

Section 102 of Act provides that all income of the University from any source whatsoever forms part of General Fund (GF). The Maharashtra University Accounts Code (Code) provides for appointment of the Investment Committee for suggesting the suitability of investment of surplus money. Section 102 of the Act provides that any surplus money not immediately required for any purpose, be deposited in the Nationalised or Scheduled Banks or invested in any other Equity or Securities issued by the Corporations having financial participation of the State Government or in units of UTI, NSC, Bonds issued by IDBI and ICICI or investment approved by the MC.

During 2011-16 surplus funds ranging from ₹ 15 crore to ₹ 188.76 crore were kept in fixed deposits (FDs) of different banks, in consonance to the Act. It was observed that the surplus funds were invested only as FDs and no other option of investment was considered by the University, thereby losing an opportunity to earn maximum possible returns. There were delays ranging from two months to seven months in investing surplus funds of ₹ 150 crore in FDs resulting in loss of ₹ 4.25 crore on interest during April 2013 to November 2013.

3.3.4.2 Bank reconciliation

Para 3.57 of the Code prescribes for reconciliation of the bank account with the cash book at the end of every month and submit report thereupon to the Deputy Registrar. A difference between cashbook balance and bank account balance ranging from ₹ 0.023 crore to ₹ 12.57 crore was noticed in respect of 15 cashbooks and their corresponding bank accounts during March 2016 to October 2016.

Two bank accounts having balance of ₹ 0.82 crore were found inoperative since January 2015 and no interest could be earned on the same as both these accounts were current accounts.

³⁸ A visiting committee consisting of experts in the subject and courses applied for recognition appointed by the Board of College and University Development

On being pointed out, it was replied (June 2017) that a review of surplus amount is being carried out and efforts are being made for timely reconciliation of the bank accounts and closing in-operative bank accounts.

3.3.4.3 Advances from University Funds

Para 1.87 of the Code prescribes procedure for drawal of advance from university funds. The Head of the Department concerned is responsible for adjustment of advances. Second or subsequent advance was not to be granted unless first advance was fully recouped and all advances were to be settled within one month and in any case before the end of the financial year. The unspent balance was required to be remitted into University account immediately. In case of delay in remittance for more than seven days, penal interest was to be charged.

The University had granted advances to teaching departments/employees/exam centres amounting to ₹ 84.12 crore till March 2015. Out of which ₹ 13.22 crore only was adjusted, leaving ₹ 70.90 crore unadjusted. Though these advances were outstanding since the year 1988, no action was taken to adjust the same. Subsequent advances were released without adjusting the previous advances.

It was stated (May 2017) that the advances relating to the period from 1988 to 2012 pertained to Principals/employees of colleges having exam centres. It was also replied that a Chartered Accountant firm had been appointed to look into unadjusted advances along with other financial issues.

The reply is not tenable in audit as in the absence of timely adjustment of long pending such huge advances, the possibility of misappropriation of funds could not be ruled out.

3.3.5 Academic infrastructure

3.3.5.1 Libraries

Para 4.15 (a) of the Code prescribes for annual physical verification of books of all the Libraries. If this was not possible annually due to size, cost and time constraints, the books were to be physically verified at intervals of not more than five years. The verification would always be subject to surprise test check by some independent officers to be recorded on the list, inventory or stock account.



The University had a main Library (P.V. Narasimha Rao Granthalaya) at Ramdaspath and Campus Library at Mahatma Jyotiba Phule Complex in addition to libraries of respective PG teaching department and three conducted colleges. The University had a total collection of 3,85,890 books including 16,974 rare and valuable books, 36,259 bound volumes of periodicals besides 14,312 Manuscripts kept in Campus library.

3.3.5.2 Main and Campus Library

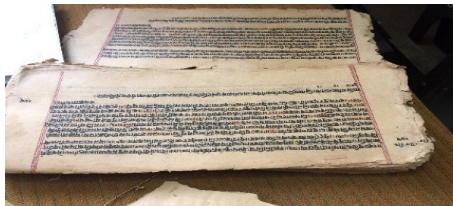

Audit observed that physical verification of books was not carried out since 1994 by the University as no certificate of verification was recorded in stock register. It was replied (May 2017) by the Librarian, Main Library that due to shortage of staff and huge stock of books, physical verification was not possible.

Joint inspection of the libraries with the Director, Knowledge Centre revealed that

- in the Main Library, old books in very poor condition were lying on tables, on floor of the main library and kept tied up in racks in bundles as shown in the photographs below:

All old books were in very poor condition lying on table and on floor of the main library at Ramdaspath	Books kept in racks by tying the rope to bunch of books in the library at Ramdaspath
	

- window glass panes were broken and the books were directly exposed to sunlight which may result in deterioration in the condition of the books.
- all books, bookshelves were covered with thick layer of dust indicating poor upkeep.
- fire extinguishers were not refilled and installed properly thereby putting the books including rare books and Manuscripts to risk of permanent damage.
- Large number of Manuscripts (14,212) dating back to 1717 kept in the campus library were in very poor and fragile physical condition as shown in photographs below:

Very poor and fragile physical condition of Manuscripts main library at Ramdaspath	
	

If proper preservation or conservation efforts for these valuable manuscripts are not made by the University, they would be damaged beyond retrieval for future use.

University replied (April 2017) that the digitisation of the manuscripts was necessary and the efforts would be made to get the funds during 2017-18. After receipt of the funds digitisation would be done. The reply is not acceptable as the University was granted ₹ 99.70 lakh in March 2016 under Rashtriya Uchchar Shiksha Abhiyan to be utilised for upgrading of libraries which included digitisation of books, journals and thesis. But, the University purchased books worth ₹ 76.40 lakh with this amount.

3.3.5.3 Hostels

The University had six³⁹ hostels at its different premises. Scrutiny of records along with joint inspection to four⁴⁰ hostels revealed the following:

Operation and Maintenance of Hostels

- During the period from 2012-17, except in 2013-14, students in excess of the intake capacity ranging from 33 to 76 were admitted, putting pressure on the amenities and infrastructure of the Hostels.
- The HAC had recommended (April 2015) appointment of full time Warden, providing Solar Water Heaters, installation of CCTV camera on hostel gate, providing Wi-Fi facilities, Ramps and toilets for Handicapped Students of the hostel. It was observed that none of these recommendations were implemented.
- The hostels faced problems of inadequate and irregular water supply and contaminated water in toilets. It was noticed that Engineering Department had not solved the problem of sewerage line in the last three years, resulting in unhygienic condition of hostel premises.

On being pointed out, the Warden replied (May 2017) that all the facilities were available. The reply is not acceptable as no documentary evidence was produced to audit to substantiate the same.

Girls Sports Hostel

A sports hostel exclusively for lodging and boarding of girl participants in various games and coaching camps was constructed at Raobahadur D Laxminarayan Premises, at a cost of ₹ 0.61 crore. Out of which, ₹ 0.30 crore was provided by the UGC and balance was borne by the University. But due to its remote location and difficult accessibility, the sports hostel could not be put to use since its completion in December 2010. With the passage of time the building structure had deteriorated.

On this being pointed out by audit, it was replied (June 2017) by the Director, Physical Education that a provision of ₹ five lakh has been made in the budget for refurbishing the hostel and care would be taken to utilise the hostel.

3.3.6 Internal Control

Internal Controls provide reasonable assurance that applicable rules and regulations are duly followed. The Internal Control mechanism in the University was inadequate as evident from the following:

- i) The provisions of the Act and Code provide for annual audit of accounts of the University within six months of the close of the financial year by the statutory auditors appointed by the MC who have no interest in any of the authorities or affairs of the University. It was noticed that one partner of the CA firm, appointed as Statutory Auditor for preparation of the annual

³⁹ (1) Girls Hostel, North Ambazari Road (2) Boys Hostel, Law College Premises, (3) LIT Campus, (4) PG and (5) Pharmacy at Mahatma Jyotiba Fule campus (6) Boys Hostel, North Ambazari Road

⁴⁰ (1) Boys Hostel, Law College Premises, (2) PG and (3) Pharmacy at Mahatma Jyotiba Fule campus and (4) LIT campus

accounts and Audit Report during 2012-17, was on the local Management Committee of the Nagpur Shikshan Mandal running three affiliated colleges.

ii) Section 90 of the Act provides for furnishing of reports, returns and other particulars by every affiliated college and recognised institution. But, in absence of directions and a prescribed format, no reports or returns were being furnished. Every University department or institution, affiliated college or recognised institution is to be inspected, at least once in every three years, by one or more committees appointed by the VC which would submit its report to the VC. Audit observed that neither the Committee was formed nor was any inspection ever carried out.

iii) The Code provides for establishment of the Internal Audit Unit headed by Superintendent for physical verification of the assets of the University and test audit of payments and receipts of the University. It was observed that the University did not have any Internal Audit Unit. No physical verification of the assets was conducted. However, the audit of payment and receipts was being carried out by the University.

iv) The Code provides for formation of Stock Verification Section to check the records and equipment physically once in a year. Audit observed that no such section was formed in the University.

3.3.7 Conclusion and Recommendations

Audit was conducted to examine the functioning of the University especially in the areas of teaching and research, accreditation and affiliation and infrastructure facilities. It was found that

- The functioning of Academic Council was ineffective and failed to fulfil its mandate.
- No committee was formed to review the existing courses of study and prepare a feasibility report.
- There was continuous shortage of teaching staff in the University and colleges during the period from 2012-17, ranging from 33 to 48 *per cent*. Further, eight PG departments had more than 50 *per cent* vacancies in teaching staff since last five years.
- Mandatory teaching of 90 days was not adhered to and shortfall ranged from 36 to 75 days during 2014-15 and 2016-17.
- University did not have any mechanism to monitor the progress and outcome of research activities. As such, out of total 132 research projects, only 27 were completed and no research work was published during past five years.
- Out of 600 affiliated colleges, only 69 colleges possessed active accreditation and approval from NAAC and NBA owing to inadequacy of teaching staff and proper infrastructure such as buildings, libraries, laboratories and sports facilities *etc.*

- The extension to affiliation granted on the basis of LEC recommendations was found flawed in 60 test checked colleges.
- The hostel faced problems of inadequate and irregular water supply, contaminated water in toilets.
- The financial management of the University funds exhibited numerous lacunae and violations *viz.* unadjusted advances of ₹ 70.90 crore, inoperative bank accounts, diversion and blocking of funds.
- The internal controls were weak.

Thus, Government needs to monitor the functioning of the University especially in the areas of teaching, accreditation and affiliation to maintain academic standards.

The Government may direct the University to (i) prepare the Perspective Plan to provide year-wise developmental activities to be carried out by the University along with details of financial outlay; (ii) regularise the accreditation of the affiliated/conducted colleges; and (iii) Strengthen the internal control mechanisms.

Water Supply and Sanitation Department

3.4 Implementation of National Rural Drinking Water Programme

3.4.1 Introduction

The Government of India (GoI), through the Department of Drinking Water and Sanitation⁴¹, launched the National Rural Drinking Water Programme (NRDWP) in April 2009. NRDWP is a centrally sponsored scheme of the GoI aimed at providing adequate and safe drinking water to the rural population of the country. The goal of the Ministry is to provide every rural person with adequate safe water for drinking, cooking and other domestic needs on a sustainable basis. The basic requirement should meet water quality standards and be readily and conveniently accessible at all times and in all situations.

The NRDWP has six components *viz.* (i) Coverage (ii) Water Quality (iii) Operation and Maintenance (O&M) (iv) Sustainability (v) Support Activities (vi) Water Quality Monitoring and Surveillance (WQMS). The fund sharing pattern was 50:50 between GoI and GoM for Coverage, Water Quality and O&M component while there was 100 *per cent* funding for Sustainability, Support Activities and WQMS by GoI. From April 2015, the fund sharing pattern in respect of Sustainability, Support Activities and WQMS component was revised to 60 *per cent* by GoI and 40 *per cent* by the State. In the remaining components there was no change in the sharing pattern.

⁴¹ Government of India created and notified the Ministry of Drinking Water and Sanitation as a separate Ministry on 13 July 2011

3.4.2 Organisational set-up

The NRDWP is implemented in the State under the overall guidance of the State Water and Sanitation Mission (SWSM) and is headed by the Chief Secretary to the GoM. The Principal Secretary, Water Supply and Sanitation Department (WSSD) is the nodal Secretary responsible for all the activities and convening meetings of the SWSM. A State Level Scheme Sanctioning Committee (SLSSC) headed by the Principal Secretary, WSSD, Water and Sanitation Support Organisation (WSSO) was constituted (March 2012) under SWSM to deal with the support activities under the NRDWP. The Maharashtra Jeevan Pradhikaran⁴² (MJP) and Groundwater Survey and Development Agency (GSDA) were designated (August 2009) as State Technical Agencies (STA) under the administrative control of WSSD for providing technical support for the implementation of various components under NRDWP. At the district level, District Water and Sanitation Mission (DWSM) and Village Water and Sanitation Committee (VWSC) was set up under the overall control of Zilla Parishads (ZPs).

3.4.3 Scope of audit

The implementation of NRDWP in the State was reviewed by the Audit during May to September 2017 through a test-check of records for the period 2012-17 in WSSD at Mantralaya, Mumbai, WSSO at Navi Mumbai, MJP at Navi Mumbai and Director, GSDA, Pune. Records maintained in the Divisional offices of ZP (Rural Water Supply), DWSM, GSDA, MJP offices and 54 GPs (in 27 blocks) in ten districts viz. Pune, Sangli, Ahmednagar, Nashik, Nagpur, Aurangabad, Beed, Raigad, Thane and Buldhana were test-checked. Selection of 10 districts and 27 Blocks was done on the basis of Probability Proportion to Size without Replacement (PPSWR) method with size measure as total NRDWP expenditure and completed drinking water supply schemes during 2012-17 respectively. Selection of 54 GPs and 85 habitations was done based on Simple Random Sampling without Replacement method.

The audit findings which emerged from the examination of records in these offices are discussed below:

3.4.4 Planning

3.4.4.1 Deficiency in planning

Based on the 'National Policy Framework' each State was required to prepare State specific Sector policy framework based on which State Level Planning for taking up water supply schemes for the 12th plan period (2012-17) was to be done.

As per the NRDWP guidelines, a Village Water Security Plan was to be prepared by each VWSC indicating the demographic, physical features, water sources and other details of the village; available water infrastructure and gaps, proposed works to augment the existing infrastructure and water sources and requirement of funds from rural water supply programmes. Based on all the VWSPs of the districts, a District Water Security Plan was to be prepared by the DWSM. A five year Comprehensive Water Security Action Plan was

⁴² An autonomous body constituted by GoM for executing water supply schemes

also to be prepared by the State and during each financial year Annual Action Plan (AAP) was to be prepared.

The deficiencies noticed in planning are discussed below:

- The State did not prepare State specific Sector Policy for planning the water supply schemes to be taken up during the 12th Plan period.
- The Village Water Security Plan (VWSP), District Water Security Plan (DWSP) and a five year Comprehensive Water Security Action Plan were not prepared in the State. In the absence of VWSP/DWSP, the participation of the villages in planning, designing and implementation of the rural drinking water supply schemes as envisaged under NRDWP guidelines was not ensured. The schemes taken up also lacked an integrated approach in addressing the rural drinking water security issues which is evident by the fact that schemes completed by MJP are non-functional due to lack of demand from the GPs or establishment of individual piped water supply schemes in the GPs due to which the schemes are not taken over by the ZPs as discussed in **paragraph 3.4.7.3**.

In reply WSSO stated (September 2017) that Village Water Security Plan (VWSP) for Domak Village in Morshi block of Amravati district has been prepared and approved by GoI under National Drinking Water Security pilot project. It was further stated that VWSP has been prepared for 96 villages in Varud block of Amravati district and based on the experience gained in the preparation of VWSP during pilot project implementation preparation of VWSP would be taken up for all the villages in the State. The reply only confirms that the State had been preparing only requirement based Annual Action plans instead of comprehensive planning for meeting the water requirements of the State.

- As per GoI instruction (June 2015), applicable for the year 2015-16 onwards completion of incomplete/ongoing works should be given priority over new works and no new schemes should be taken up except in villages selected under Sansad Adarsh Gram Yojana (SAGY), fluoride and arsenic affected habitations (water quality affected). GoI also instructed (February 2016) that in the AAP for the year 2016-17, priority should be given to those villages which have achieved Open Defecation Free (ODF) status both in the case of ongoing and new schemes.

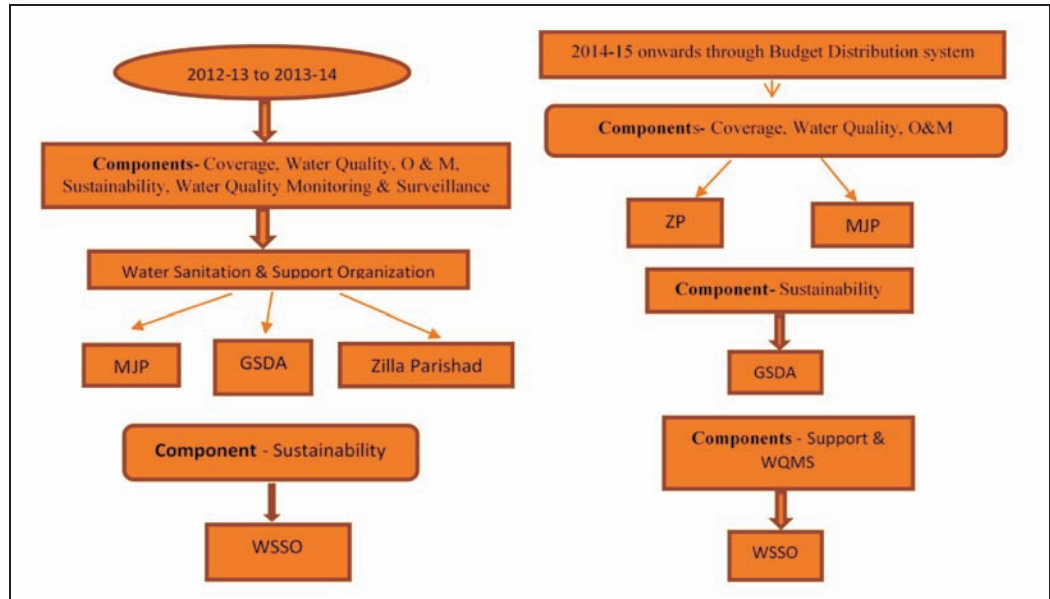
The Department gave priority to ongoing Schemes and accordingly 2,324 ongoing Schemes were included in the AAP 2015-16. In the AAP 2016-17, 1,660 ongoing Schemes, new Schemes for 44 WQA habitations and 59 SAGY habitations were included.

3.4.5 Fund Management

Allocation of funds under NRDWP is made by GoI every year in the beginning of the financial year. The first instalment (50 per cent) of the allocation under the Programme Fund is released by GoI if the State has drawn the second instalment of the previous year. The second instalment under Programme Fund is released on receipt of specific proposal from the State, utilisation certificates (UCs) for the preceding year, certificate of actual expenditure for the preceding year *etc.*

The flow of funds under NRDWP during 2012-14 and 2014-17 is given in **Chart 2**.

Chart 2: Funds flow under NRDWP



The component-wise allocation of funds by GoI and the expenditure incurred during 2012-17 is given in **Table 3.4.1**. The year-wise and component wise fund release by GoM and GoI and expenditure is given in **Appendix 3.4.1**.

Table 3.4.1: Component wise fund release and expenditure during 2012-17

(₹ in crore)

Name of the component	Fund release during 2012-17		Total release during 2012-17	Expenditure during 2012-17		Total expenditure
	GoI	GoM		GoI	GoM	
Coverage and Water Quality ⁴³	2138.98	2698.72	4837.70	2438.14	2379.84	4817.98
Operation and Maintenance	409.33	401.40	810.73	277.70	331.98	609.68
Sustainability	272.89	-	272.89	218.28	-	218.28
Support Activities	146.93	-	146.93	149.20	-	149.20
Water Quality Monitoring and Surveillance (WQMS)	76.26	-	76.26	85.02	-	85.02
Total	3044.39	3100.12	6144.51	3168.34	2711.82	5880.16

Source: Information furnished by Water Supply and Sanitation Department

Thus, as against the total release of ₹ 6,144.51 crore (GoI: ₹ 3,044.39 crore; GoM: ₹ 3,100.13 crore) during 2012-17 the total expenditure incurred during 2012-17 was ₹ 5,880.16 crore (GoI: ₹ 3,168.34 crore; GoM: ₹ 2,711.82 crore).

Audit findings on the receipt and utilisation of funds during 2012-17 etc., are discussed below:

3.4.5.1 Financial cut imposed by GoI

During the period 2012-17, GoI had imposed cut of ₹ 129.51 crore due to late submission of proposals for release of second installment and opening balance

⁴³ Including funds received and expenditure incurred under Additional release for water quality, Water Quality Sub-mission, Niti Aayog and Natural calamity

of funds being in excess of 10 *per cent* of the release in the previous year. Though, GoI subsequently restored ₹ 58.41 crore to the State, the balance amount of ₹ 71.10 crore (₹ 129.51 crore - ₹ 58.41 crore) was not released. Thus, due to delay in submission of proposal for release of second installment of funds/funds in excess of 10 *per cent* of release in the previous years remaining unutilised, the Department could not avail the benefit of Central fund of ₹ 71.10 crore for the programme. Director WSSO did not furnish (September 2017) the reasons for delay in submission of proposals for release of second instalment and non-utilisation of fund of previous years which led to cut imposed by GoI.

3.4.5.2 Short release of matching share by the State Government

As per NRDWP guidelines the funds under Coverage, Water Quality, O&M was to be shared equally between GoI and State Government. Audit scrutiny revealed that as against a matching share of ₹ 3,246.66 crore to be provided by the State Government during 2012-17, the GoM released funds of ₹ 2,698.73 crore only, resulting in short release of State share by ₹ 547.93 crore.

3.4.5.3 Non-utilisation of Niti Aayog fund earmarked for Water Quality affected habitation

To mitigate the drinking water problem in the habitations affected with fluoride and arsenic, GoI had released (March 2016) ₹ 24.08 crore as a one time assistance to GoM with a condition that the State Government had to transfer the fund to implementing agency within 15 days of the receipt failing which the release to the implementing agency was to be done along with interest at prevalent bank rate of Reserve Bank of India.

Scrutiny of records revealed that the GoM released funds to WSSO after a delay of 186 days without releasing interest which worked out to ₹ 1.72 crore and the amount had also not been utilised by WSSO for the earmarked activities (October 2017). The reasons for delay in release of funds by GoM were awaited (October 2017).

3.4.5.4 Lack of convergence with other Schemes

As per NRDWP guidelines, sustainability structures should be taken up on priority in over-exploited, critical and semi-critical blocks and in quality affected habitations and the labour cost of any recharging system/ surface water impounding structures may be met from Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)/Integrated Watershed Management Programme (IWMP) funds.

Scrutiny of records in six test checked districts (Buldhana, Nagpur, Sangli, Aurangabad, Ahmednagar and Nashik) revealed that 1,689 sustainability structure were executed during 2012-17 after incurring an expenditure of ₹ 41.53 crore without convergence with MGNREGS/IWMP. Execution of work in convergence with other programme would have enabled the Department to utilise the funds so saved for covering more projects under sustainability component.

3.4.6 Other financial irregularities

Scrutiny of records in the test-check districts revealed various other financial irregularities which are discussed in **Table 3.4.2**.

Table 3.4.2: Financial irregularities in execution of work

Sr. No.	Audit Criteria	Implementing Agency	Audit findings	Money value (₹ in crore)
1.	The schedule of rates used for preparation of estimates by ZP was inclusive of insurance charges. As per Government Resolution of August 1998, contractors are required to submit insurance policy before commencement of work failing which the ZP had to recover one <i>per cent</i> of the tendered cost from the contractors.	ZPs	In 379 schemes sanctioned and executed during period 2012-17 in Buldhana and Raigad ZP and on which an expenditure of ₹ 175.69 crore was incurred, insurance policies were not submitted by the contractors. On cross verification by Audit, Director of Insurance, Mumbai confirmed that no insurance policies had been taken. Thus, the ZPs did not ensure that Government assets under construction were insured as required and the release of payments to the contractors resulted in undue benefit to the contractors amounting to ₹ 1.74 crore.	1.74
2.	As per Government Resolution issued (June 2010) by Industries, Energy and Labour Department, labour welfare cess was leviable at the rate of one <i>per cent</i> on construction cost (excluding land cost) and collected by the employer of the work as per Labour Welfare Cess Act, 1996.	ZPs	ZP, Buldhana and Raigad did not include labour cess in the work estimates and therefore labour cess amounting to ₹ 1.76 crore was not deducted from the bills of the contractors in 379 schemes executed during 2012-17. In reply, the Executive Engineer of ZP Buldhana and Raigad stated (July and August 2017) that the labour welfare cess would be included in the estimates henceforth and deducted from the contractors bills. The reply is not acceptable and ZPs may recover the cess as per the extant Government Resolutions.	
		MJP	MJP Division in Raigad and Nagpur district recovered labour welfare cess of ₹ 65.40 lakh as against ₹ 90.28 lakh to be recovered in seven schemes executed during the period 2012-17, resulting in short recovery of ₹ 24.88 lakh.	0.25
3.	In the schedule of rates prepared by MJP (also adopted by ZPs) for preparation of work estimates, Employees Provident Fund (EPF) at the rate of 12.5 <i>per cent</i>	MJP	In 30 works executed by Maharashtra Jeevan Pradhikaran in eight Districts of Ahmednagar, Aurangabad, Pune, Buldhana, Nagpur, Nashik, Sangli and Thane, MJP Divisions irregularly released payments to the	23.00

	on labour component of estimate was loaded.		contractors which was inclusive of EPF amounting to ₹ 23 crore without ensuring that the contractors had remitted the same to authorities of EPF. In reply, the Executive Engineer, MJP, Ahmednagar stated (July 2017) that recovery would be done from the contractor. The Executive Engineer, MJP, Nagpur stated (July 2017) that the contractors have been directed to submit proof of EPF payment.	
		ZP	In 771 works executed by Zilla Parishads in three selected districts of Pune, Raigad and Nagpur during 2012-17, ZPs irregularly released payments to the contractors which was inclusive of EPF amounting to ₹ 7.28 crore without ensuring that the contractors had remitted the EPF.	7.28
4.	As per Government Resolutions issued (March 2010) by WSSD, advance payment to the contractors or suppliers was not to be made to the contractor/supplier under the Scheme.	ZP	In violation of Government Resolution, in ZP Beed, advance payment of ₹ 1.51 crore was made during 2012-15 to the contractors/suppliers in two schemes while in ZP Raigad, advance payment of ₹ 4.12 crore was made to the contractors/suppliers in three schemes during 2013-17. In reply the Executive Engineer, ZP, Beed and Raigad stated (July/August 2017) that notice would be issued to VWSC for suitable action.	5.63
5.	As per Maharashtra Zilla Parishads and Panchyat Samitis Account code, 1968, payments to contractors or suppliers shall invariably be made by crossed cheque.	ZP	Test check of records in the selected GPs revealed that in GP Rewas (ZP, Raigad) out of an expenditure of ₹ 3.88 crore incurred for Rewas Water Supply Scheme during 2012-15, ₹ 47.08 lakh was withdrawn through cash or self cheque by the VWSC. In GP Tinvira (ZP Raigad) out of an expenditure of ₹ three crore incurred for Tinvira Scheme during 2013-15, ₹ 40 lakh was withdrawn through cash or self cheque by the VWSC in violation of codal provision. The Executive Engineer, ZP, Raigad stated (August 2017) that notice for unauthorised withdrawal of fund would be issued to VWSC and action taken accordingly.	0.87

3.4.7 Programme Implementation

3.4.7.1 Coverage and water quality

To provide safe and adequate drinking water supply to un-served, partially served and slipped back habitations, 47 *per cent* of the annual NRDWP fund is allocated. During 2012-17, funds amounting to ₹ 4,837.70 crore was released by GoI and GoM under NRDWP to provide safe and adequate drinking water supply to unserved, partially served and slipped-back habitations against which, an expenditure of ₹ 4,817.98 crore was incurred till March 2017.

According to NRDWP guidelines, while planning for schemes in any year, priority is to be given to habitations where none or less than 50 *per cent* of the population has access to adequate and safe drinking water. The status of habitations targeted for coverage, habitations covered in the State during 2012-17 is given in **Appendix 3.4.2**.

As seen from **Appendix 3.4.2**, a significant number of habitations (1,972) with population coverage of less than 50 *per cent* in the State were not covered indicating that priority was not given for covering such habitations. The maximum number of habitation with population coverage of less than 50 *per cent* was in Ahmednagar district which was having 234 such habitations requiring adequate water coverage. In the test-checked districts except Ahmednagar, Raigad, Pune, Buldhana and Beed, had 229, 127, 114 and 105 habitations respectively having less than 50 *per cent* of the population not covered with access to adequate and safe drinking water.

As per 11th Five Year Plan (2008-12), 40 lpcd was to be provided to all the habitation by the end of March 2012 while as per the 12th Five Year Plan (2012-17), 55 lpcd water was to be provided to all habitations. However, GoI in July 2013 directed the State Government to give first priority to provide 40 lpcd of water to all habitations and once this is achieved second priority was to be given to further improve the service level of habitations from 40 lpcd to 55 lpcd.

Audit observed that even at the end of 12th five year plan on 31 March 2017, 12,815 habitations (13 *per cent*) in the State out of 99,732 habitations (including WQ affected habitations) had been provided with less than 40 lpcd of water. Analysis in audit revealed that maximum number of habitations (as percentage to total habitations in the district) which were provided with less than 40 lpcd of water was in Jalgaon district having 751 habitations (48 *per cent*) out of 1,562 habitations.

In ten selected districts, audit observed that as on 1 April 2017, 5,805 habitations out of 40,552 habitations were provided with less than 40 lpcd of water. Analysis in audit revealed that maximum number of such habitations was in Buldhana district which was having 309 habitations (23 *per cent*) followed by Sangli district which was having 892 habitations (20 *per cent*).

It was evident that the planning process had not addressed the issue of giving priority to such habitations while taking up works relating to these districts.

3.4.7.2 Shortfall in providing piped water supply

As per the 12th five year plan, by the end of 2017 at least 50 per cent of the rural households should be provided with piped water supply. Further, at least 35 per cent of the rural households should have piped water supply with a household connections.

Audit observed that as on 1 April 2017, out of 99,732 habitations in the State, 68,078 habitations (68 per cent) were provided with piped water supply (40 lpcd). Analysis in audit revealed that in six districts less than 50 per cent of the habitations were provided with piped water supply. (Aurangabad: 48 per cent, Gadchiroli: 20 per cent, Nandurbar: 26 per cent, Palghar: 37 per cent, Solapur: 46 per cent and Yavatmal: 46 per cent). In the selected districts, except for Aurangabad in all the other districts 50 per cent of the households were provided with piped water supply.

Audit also observed that as on 1 April 2017, 37 per cent of the total household in the State had piped water supply with household connection. Analysis in audit revealed that in 19 districts⁴⁴, the percentage of rural household provided with piped water supply with a household connection, was less than 35 per cent, which ranged from eight per cent (Gadchiroli) to 34 per cent (Wardha). Out of 10 selected districts, in five districts, the percentage of rural household provided with piped water supply with a household connection, was less than 35 per cent, which ranged from 11 per cent (Ahmednagar) to 33 per cent (Raigad).

3.4.7.3 Water Quality Affected habitations

As per the NRDWP guidelines one of the critical issues to be tackled within the 12th five year plan period was coverage of water quality affected habitations. The target and achievement in respect of water quality affected habitations to be covered during 2012-17 in the State is given in **Table 3.4.3**.

Table 3.4.3: Water quality affected habitations in the State

Year	Quality affected habitations as on 1 st April	Targeted for coverage	Achievement	Quality affected habitations yet to be covered
2012-13	1671	887	579	1092
2013-14	1294	738	370	924
2014-15	949	487	305	644
2015-16	609	187	144	465
2016-17	384	125	80	304

Source: Information furnished by WSSO

As seen from **Table 3.4.3**, targets were not fixed for tackling all the water quality affected habitations during 2012-17 and the Department also failed to meet the yearly targets during 2012-17. As at the end of March 2017, 304 habitations having a population of 6.56 lakh was still water quality affected.

As per the information furnished by ZPs in the 10 test-checked districts, out of 1,387 water quality affected habitations, 465 water quality affected habitations

⁴⁴ Gadchiroli, Palghar, Ahmednagar, Gondia, Nanded, Beed, Hingoli, Yavatmal, Solapur, Chandrapur, Washim, Akola, Thane, Bhandara, Parbhani, Nandurbar, Sangli, Raigad and Wardha

were tackled during the period 2012-17 leaving 922⁴⁵ water quality affected habitations. The maximum water quality affected habitations in these 10 test-checked districts was in Nashik and Buldhana districts which were having 652 and 114 water quality affected habitations respectively. Audit noticed that in Nashik and Buldhana districts which were having 714 and 230 water quality affected habitations respectively as of 1 April 2012, targets were fixed for tackling only 74 and 161 water quality habitations during 2012-17 respectively though out of the amount of ₹ 38.42 crore released during 2012-17 by GoI under “Additional release for Water Quality” and ₹ 24.08 crore released during 2015-16 under “Niti Aayog” to tackle water quality affected habitations in the State, ₹ 38.96 crore remained unutilised.

Thus, the critical issues of tackling water quality affected habitations within the 12th five year plan period in the State remained largely unachieved.

3.4.7.4 Non accreditation of water testing Laboratory

As per the Strategic plan prepared by GoI for rural drinking water sector for the period 2011 to 2022 all water quality testing laboratory at State and District level should obtain accreditation from National Accreditation Board for Laboratories. (NABL) Also the District and Sub division laboratories had to analyse physicochemical and microbiological parameters in drinking water sources as prescribed under Indian Standard.

Scrutiny in audit revealed that State Laboratory had not been established though all the Laboratories are now under the administrative control of WSSD. Further, out of six regional laboratories and 28 district laboratories accreditation was not obtained for the 28 district laboratories. Further, the District and 138 sub-division laboratories did not have facility for testing arsenic in water.

3.4.8 Work Execution

The audit findings on delays in execution of schemes, deficiencies in contract management and non-functional schemes are discussed below:

3.4.8.1 Incomplete works-delay in execution

The status of schemes⁴⁶ taken up, schemes completed and schemes incomplete during 2012-17 in the State is given in **Table 3.4.4**.

Table 3.4.4: Status of schemes taken up, completed and incomplete (cumulative) during 2012-17 in the State

Year	No. of schemes taken up during the year	No. of schemes completed	No. of schemes not completed
2012-13	6511	3556	2955
2013-14	5170	3021	2149
2014-15	5124	2836	2288
2015-16	2836	1213	1623
2016-17	1742	926	816

Source: Information furnished by WSSO

⁴⁵ As per the information furnished by WSSO the water quality affected habitations as at the end of March 2017 was 304 in the State as against 922 in the 10 test-checked districts as per information furnished by ZPs

⁴⁶ piped water supply schemes, Handpump/Borewells etc., schemes and other schemes

The age-wise delay in completion of works in the tested checked districts is given in **Table 3.4.5**.

Table 3.4.5: Delay in completion of schemes in the test-checked districts

Name of district	Delay in completion					Total
	Less than one year	One to three year	Three to five years	More than five years	More than one year	
1	2	3	4	5	6 (column 3 to 5)	6
Aurangabad	17	9	3	18	30	47
Nashik	0	2	51	103	156	156
Beed	0	18	22	40	80	80
Ahmednagar	1	10	1	0	11	12
Buldhana	6	19	10	7	36	42
Nagpur	6	27	3	0	30	36
Raigad	3	11	0	0	11	14
Sangli	17	1	8	0	9	26
Pune	47	11	4	0	15	62
Thane	4	14	7	9	30	34
Total	101	122	109	177	408	509
Cost (₹ in crore)	203.08	417.17	317.15	189.23	923.55	1126.63

Source: Information furnished by ZPs in the selected districts

Scrutiny in ten test-checked districts revealed that

- in 177 schemes (35 per cent) out of 509 delayed schemes, the delay was more than five years.
- in 408 ongoing schemes as at the end of March 2017, with approved cost of ₹ 923.5 crore, the delay was more than one year.

The reasons for delay in completion of scheme for more than five years were due to lack of fund, legal dispute, drying of sources and non-availability of land *etc.* Delays in completion of works not only results in increase in cost but also deprives the beneficiaries from getting timely benefit of the scheme.

Few important cases noticed in the test-checked districts are discussed in **Table 3.4.6**.

Table 3.4.6: Cases of incomplete schemes and blockage of expenditure noticed in test-checked districts

Sr. no.	Type of scheme, name of the scheme and district (Executing agency)	Audit findings
1.	Regional Rural Water Supply (RRWS), Deulghat Dhad (Buldhana Taluka) scheme in Buldhana district (MJP)	Work could not commence for two years after award of work in March 2010 due to non-acquisition of land, delay in getting permission for road crossing. Thereafter, due to want of revised administrative approval for proposal submitted by MJP to Government in November 2011, expenditure of ₹ 12.43 crore incurred on construction of jackwell, Raw water raising main, water treatment plant, distribution network, ESR <i>etc.</i> , under the scheme remained blocked.
2.	RRWS, Nagothane scheme in Raigad district (MJP)	Work awarded in March 2011 remained incomplete (March 2014) since pipeline work to connect Water Treatment Plant and distribution system on both side of Mumbai Goa National Highway could not be executed due to widening of Mumbai Goa Highway. Expenditure of ₹ 4.66 crore incurred on construction of RCC jackwell, water treatment plant, ESR, distribution network <i>etc.</i> , under the scheme remained blocked (January 2017)

Thus, RRWS schemes on which an expenditure of ₹ 17.09 crore was incurred have remained incomplete due to stoppage of work for period ranging from three to six years due to reasons indicated in the **Table 3.4.6**.

3.4.8.2 Deficiencies in contract management

The deficiencies noticed in contract management in the test-checked districts are discussed in Table 3.4.7.

Table 3.4.7: Cases of deficiencies in contracts executed by MJP noticed in test-checked districts

Sr. No.	Name of work	Audit findings
1.	Nagpur Urban Peri RRWS	The MJP Division in Nagpur incurred (May 2017) an avoidable expenditure of ₹ 1.28 crore on account of payment made to the contractor executing the work of Nagpur Urban Peri RRWS for re-transportation of Ductile Iron (DI) pipe purchased from the suppliers though the contract with the supplier of DI pipe was inclusive of transportation charges up to site anywhere in the State.
2.	Buldhana city and four villages RRWS scheme in Buldhana district	<p>The work of excavation for construction of jackwell in the Kharagpurna River under RRWS scheme approved (June 2013) by WSSD to cover Buldhana city and four villages in Buldhana district, was completed (June 2013) up to depth of 8.50 metres.</p> <p>The work was stopped, since the site of jackwell was falling under submergence of Kharagpurna River. The Chief Engineer, MJP selected (March 2014) new site and work of construction of jackwell at the new site was completed in July 2014. Though, payment to the contractor for the jackwell constructed at the old site was not made, MJP was saddled with avoidable liability and eventual wasteful expenditure of ₹ 26.98 lakh.</p> <p>In reply, the Executive Engineer, Buldhana Division stated (July 2017) that due to heavy rains the jackwell was submerged and therefore after visiting the site and considering the water level new site was selected. The reply clearly indicated improper site selection before commencement of work which resulted in avoidable liability of ₹ 26.98 lakh.</p>
3.	Akole and 32 villages RRWS scheme in Ahmednagar district	The WSSD had accorded (June 2012) administrative approval of ₹ 30.07 crore for RRWS to cover Akole and 32 villages of Ahmednagar district. The Work was awarded (May 2012) to a contractor at a cost of ₹ 35.82 crore to be completed within 24 months <i>i.e.</i> , by May 2014. Scrutiny revealed that the contractor failed to complete the various stages of work within the period stipulated in the contract. MJP Division recovered (June 2016) a total fine of ₹ 0.26 crore for delay of 350 days from the contractor due to non-adherence of the time schedule, as against ₹ 1.43 crore recoverable for 1,522 days as per the contract condition resulting in short recovery of ₹ 1.17 crore.
4.	Malmatha and 25 villages RRWS Scheme in Nashik District	<p>The works of two elevated storage reservoir, laying of pipe lines of additional length, execution of additional distribution system having estimate cost of ₹ 2.01 crore were not included in original tender of Malmatha and 25 villages RRWS Scheme in Nashik District awarded in October 2012. Instead of calling fresh tender the Chief Engineer, Nashik regional, Nashik awarded (June 2015) these works to the existing contractor, and paid ₹ 1.33 crore upto first RA bill (July 2016) against these additional works. The award of additional work to the existing contract was irregular.</p> <p>In reply, Executive Engineer, MJP Division, Nashik stated (June 2017) that the additional works was awarded to the existing contractor as per the demand of Gram Panchayats for speedy execution of work.</p> <p>The reply is not acceptable since award of additional items of work should have been done following tender process and the purpose of speedy execution of work was not achieved in any way and instead extensions were given to the contractor up to December 2017.</p>

5.	Hinjavadi village RRWS in Pune district	The WSSD had accorded (September 2014) administrative approval of ₹ 17.86 crore for drinking water supply scheme for Hinjavadi village in Pune district. The work was awarded (March 2015) to a Contractor at a cost of ₹ 10.20 crore with a completion period of 36 months. The water for the Scheme was to be sourced from Kasarsai Medium Irrigation project situated 10 km away from Hinjavadi village for which the Water Resource Department had sanctioned (October 2013) water reservation. Contractor had started the excavation work for jackwell and approach bridge to the jackwell for which payment of ₹ 32.04 lakh was made in October 2015. Further work could not be done, since the villagers protested against the withdrawal of water from Kasarsai Medium Irrigation project. Though, the Scheme was approved by Government, its failure to resolve the issue since October 2015, resulted in unfruitful expenditure of ₹ 37.41 lakh incurred on the Scheme, till March 2017
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3.4.8.3 Non-functional schemes

Individual schemes (piped water schemes and handpumps/tubewell/borewell schemes) are implemented by the ZPs while the Regional Rural Water Supply Schemes are implemented by MJP. Since substantial investment is made by GoI and GoM for completion of schemes; schemes becoming non-functional not only results in waste of public resources but also deprives the beneficiaries of the intended benefits.

The schemes which were implemented by ZP and are non-functional in the 10 test-checked districts is given in **Table 3.4.8**.

Table 3.4.8: Non-functional schemes in the test-checked districts as on 31 March 2017

Name of district	Total no. of schemes	Total no. of non-functional schemes
Aurangabad	5973	1432
Nashik	12056	391
Beed	11986	2411
Ahmednagar	11271	2431
Buldhana	1308	26
Nagpur	1475	3
Raigad	4658	14
Sangli	7214	384
Pune	2703	49
Thane	2530	4
Total	61174	7145

Source: Information furnished by ZPs in the test-checked districts

It is seen from **Table 3.4.8** that

- in the ten test-checked districts, out of 61,174 schemes, 7,145 schemes were non-functional as on 31 March 2017 which included 307 piped water supply schemes covering 709 habitations which were non-functional.
- maximum number of schemes *i.e.* 4,842 schemes (68 *per cent*) out of 7,141 schemes were non-functional in two districts of Ahmednagar and Beed, and
- 1,422 schemes became non-functional within five years of its commissioning.

The major reasons for non-functional schemes were non-payment of electricity dues, drying of source, pending repairs, no demand from GPs. The

actual expenditure incurred on these non-functional schemes was not readily available.

As regards 132 Regional Rural Water Supply (RRWS) Schemes completed by the MJP but not handed over to the ZPs, 92 RRWS were not functional as of March 2017, on which an expenditure of ₹ 443.85 crore⁴⁷ had been incurred. The main reasons for dysfunctional schemes were operational and maintenance problems, lack of demand from the GPs, non-taking over of the Schemes by ZPs, new individual schemes commissioned in the ZPs.

Audit also noticed that the funds generated for operation and maintenance of the regional schemes or individual village scheme were not self-sufficient thereby increasing the risk of it becoming non-functional over a period of time. In two districts (Buldhana and Raigad) itself during the period 2012-17, whereas the receipts were only ₹ 9.04 crore the expenditure incurred was ₹ 38.95 crore.

3.4.9 Monitoring and Evaluation of the Programme

The monitoring under the programme was deficient due to the following:

- The State Water and Sanitation Mission did not hold any meeting during 2012-17 for monitoring the physical and financial performance and management of the water supply projects.
- As per NRDWP guidelines a Source Finding Committee was required to review the functioning/performance of existing water supply schemes for availability of potable drinking water in adequate quantity in the rural habitations of the State. Audit noticed that the Source Finding Committee was not constituted in the State.
- Though, GoI had sanctioned one post of Monitoring and Evaluation (M&E) consultant to monitor the physical and financial progress of the schemes in the districts, undertake field appraisals in project villages *etc.* M&E consultant was not posted during 2014-17.
- As per NRDWP guideline Vigilance and Monitoring Committee was required to be set up. Audit observed that Vigilance and Monitoring Committee was not constituted at State level while in seven out of the ten test-checked districts the district Vigilance and Monitoring Committee were not constituted during 2012-17. In the selected 54 GPs the village level Vigilance and Monitoring Committee were not constituted in 33 GPs during 2012-17.
- As per NRDWP guideline, computerised Grievance Redressal System was required to be established at State and district levels. However, audit observed that Grievance Redressal System established at State level was not functional.
- As per NRDWP guideline, monitoring and evaluation studies on implementation of rural water supply programme through reputed organisation / institution from time to time was required to be carried out.

⁴⁷ Expenditure on remaining three RRWS schemes (92 schemes-89 schemes) was not furnished by MJP

Audit noticed that such monitoring and evaluation studies were not carried out during 2012-17 by the Department.

3.4.10 Conclusion

The National Rural Drinking Water Programme in Maharashtra was deficient in planning and implementation since the State had not prepared State specific Sector Policy for planning the water supply schemes to be taken up during the 12th Plan period. The Village and District Water Security Plans and the five year Comprehensive Water Security Action plan were also not prepared.

The State had received a total fund of ₹ 6,144.51 crore for the programme against which an expenditure of ₹ 5,880.16 crore was incurred during the period 2012-17. Due to late submission of proposals for release of second installment and opening balance of funds being in excess of 10 *per cent* of the release in the previous year, the GoI had imposed a cut of ₹ 71.10 crore. The State Government did not release its share of matching funds amounting to ₹ 547.93 crore during the period 2012-17. Non-recovery of statutory labour welfare cess from the contractors, non-remittance of Employees Provident Fund by the contractors indicated weak financial management under the programme. The implementing agencies did not ensure that the Government assets were insured while the works were in progress.

Though, as per the 11th Five Year Plan, 40 lpcd was to be provided to all the habitations by the end of March 2012, 12,815 habitations (13 *per cent*) in the State were provided less than 40 lpcd of water. As against 50 *per cent* of the rural households to be provided with piped water supply at the end of 12th five year plan, in Aurangabad, Gadchiroli, Nandurbar, Palghar, Solapur, Yavatmal districts less than 50 *per cent* of the habitations were provided with piped water supply. Against the target of providing piped water supply with household connections to 35 *per cent* rural households, analysis in audit revealed that in 19 districts, the percentage of rural household provided with piped water supply with a household connection, was less than 35 *per cent*, which ranged from eight *per cent* (Gadchiroli) to 34 *per cent* (Wardha). In five of the selected districts the percentage ranged from 11 *per cent* (Ahmednagar) to 33 *per cent* (Raigad). The critical issues of tackling water quality affected habitations during the 12th five year plan period in the State remained unachieved to the extent of 304 habitations in the State having population of 6.56 lakh remaining water quality affected. Special funds of ₹ 1.72 crore given by Niti Aayog to mitigate problems of water quality affected habitations remained unutilised. There was delay of more than five years in completion of 177 schemes due to lack of funds, legal disputes, drying of water sources and non-availability of land *etc.* The monitoring and evaluation of the programme as per the programme guidelines was deficient.

A large number of schemes *i.e.* 7,141 schemes implemented by the Zilla Parishads in the test-checked districts were non-functional while 92 Regional Rural Water Supply Schemes implemented by MJP in the State were non-functional of which in 89 schemes the expenditure incurred was ₹ 443.85 crore. The main reasons for dysfunctional schemes were non-payment of electricity dues, drying of source, pending repairs, non-taking over of the Schemes by ZPs, no demand from GPs, rendering the expenditure on the Schemes as unfruitful.

Thus, even after incurring huge expenditure, the targets set for providing drinking water, piped water, issues of tackling water quality *etc.*, could not be achieved and therefore, warrant more effective measures.

The matter was referred to State Government in October 2017; their reply was awaited as of November 2017.

Urban Development Department

Mumbai Metropolitan Region Development Authority

3.5 Undue favour to a private developer

Mumbai Metropolitan Region Development Authority did not recover additional premium and interest thereon amounting to ₹ 428 crore from a private developer for delay in construction in contravention to the terms and conditions of the Lease Deed and the premium.

The Mumbai Metropolitan Region Development Authority (MMRDA) had allotted (December 2007) plot no. C-66 in G-block, Bandra-Kurla Complex measuring 10,183.18 sqm on lease for a period of 80 years to the highest bidder M/s Reliance Industries Ltd. (allottee). As per the lease deed executed (15 July 2008) by the Authority with the allottee, the permissible Built Up Area (BUA) on the plot for Multi-storeyed Car Parking and Commercial Complex was 30,550 sqm and the total lease premium payable @ ₹ 3,00,501 per sqm was ₹ 918.03 crore. The stipulated period for construction of the complex was four years *i.e.* by 14 July 2012. The Metropolitan Commissioner, however, could permit extension of such time on payment of additional premium worked out at prescribed rates of lease premium *i.e.* 10 *per cent* per annum for delay in construction up to three years and 15 *per cent* beyond three years. Failure to pay the additional premium attracted penal interest of 14 *per cent* (Clause 2e of lease deed).

Scrutiny of records of Metropolitan Commissioner, MMRDA revealed (March 2017) that the work was not completed within the stipulated period as per the terms of the lease deed. The Authority issued (August 2014) a notice to the allottee to pay the dues as per lease agreement. If they failed to pay the outstanding dues of ₹ 312.98 crore by June 2014 towards the additional premium along with interest on account of delay in construction, the Authority would 'revoke the Commencement Certificate and further to determine the lease and enter upon the demised premises and proceed to recover the due amount as arrears of land revenue'. However, RIL contested the said levy and stated (September 2014) that the same was not payable as MMRDA had delayed the boundary demarcation of the said plot; and the road abutting the said plot was to be widened from the existing 30 metre to 39 metre. The Authority rejected (November 2014) the allottee's contention that there was any delay on their part regarding the commencement for construction and informed that they were bound to pay the additional premium due to delay in construction. Thereafter, the allottee requested (May 2015) for issue of part Occupancy Certificate (OC) for part construction done by them. As against the original BUA of 30,550 sqm, MMRDA granted part OC for 16,131.54 sqm part and for the balance BUA of 14,418.46 sqm, part OCs were given on

29 May 2015 and 21 December 2015 respectively. However, MMRDA had not recovered the requisite additional premium of ₹ 273.56 crore⁴⁸ till date (July 2017) towards the delay of three years and one month in completion of the construction. Besides interest @ 14 *per cent* for non-payment of the above additional premium as of July 2017 which worked out to ₹ 154.45 crore was also recoverable. This resulted in undue benefit to the allottee.

MMRDA in its reply stated (March 2017) that as only part OC is issued; part portion remained to be occupied. If required, MMRDA can re-enter this built premises which has greater value when compared to pending dues from the lessee. The OC for the entire building will be issued only after the recovery of entire pending dues.

The fact remained however that since MMRDA had issued the OC for the original BUA without recovering the dues and the reply is silent regarding reasons for not recovering the dues from the allottee in terms of the Lease Deed despite passage of almost two years since grant of the part occupancy certificates. Incidentally, it was seen that as per policy decisions MMRDA has been regularly recovering full additional premium (including interest) in respect of other allottees who had delayed construction of structures within the time specified in the Lease Deed. For *e.g.* M/s Jet Airways (India) Ltd (Plot C-68 ₹ 225.19 crore), Oil and Natural Gas Commission (Plots C-69A, 69B ₹ 102.43 crore) and various other Nationalised Banks/Government organisations.

Therefore, the undue favour shown by the Authority to the allottee in this regard was inexplicable.

The matter was referred to State Government in August 2017, their reply was awaited as of November 2017.

Urban Development Department

Mumbai Metropolitan Region Development Authority

3.6 Non recovery of lease premium dues

Mumbai Metropolitan Region Development Authority did not recover lease premium dues as per the prescribed schedule, on additional built up area allotted to the lessees resulting in non-recovery of ₹ 855.59 crore as of March 2017.

Mumbai Metropolitan Region Development Authority (MMRDA) is engaged in long term planning, promotion of new growth centers, implementation of strategic projects and financing infrastructure development. The Urban Development Department, Government of Maharashtra changed (May 2008) the Floor Space Index of 'G' Block in Bandra-Kurla Complex, Mumbai from 1.5 to three for residential use and from two to four for commercial use. As a

⁴⁸ Additional premium calculated at 10 *per cent* of lease premium for the period from 15 July 2012 to 14 July 2015 (₹ 267.18 crore) and at 15 *per cent* of lease premium for the period from 15 July 2015 to 19 August 2015 (₹ 6.38 crore)

result, an additional Built Up Area (BUA) of 13 lakh sqm became available in 'G' Block. The Authority decided (October 2008) to allot this BUA at 100 per cent and 150 per cent of the ready reckoner rate for residential use and commercial use respectively as a one-time scheme. Accordingly, MMRDA intimated (November 2008) the existing allottees of the 'G' block about the said scheme. As per the scheme, 20 per cent of the premium was to be paid along with demand letter before March 2009 (revised to March 2010 and further revised to March 2011) and rest in four annual instalments with 10 per cent simple interest. The delay in payment of annual instalment would attract delayed interest @ 14 per cent. There was no time limit specified for consumption of the additional BUA.

Test check of two cases revealed that

Case-I

MMRDA had allotted (March 2012) an additional BUA of 67,000 sqm for ₹ 984.90 crore (@ ₹ 1,47,000 per sqm) to M/s Reliance Industry Limited. The first instalment of the of 20 per cent of lease premium was to be paid immediately and the balance in four equal annual instalments (up to March 2016) with simple interest at 10 per cent of lease premium and penal interest at 14 per cent for delayed payments of instalments. Accordingly, the lessee was required to pay ₹ 1,181.88 crore (including simple interest) by March 2016.

It was seen that the allottee did not adhere to the time schedule for payment of the instalments. Considering the simple interest (10 per cent) and delayed interest (14 per cent) components, the allottee was required to pay ₹ 1,339.60 crore⁴⁹ by March 2016. However, the allottee had paid only ₹ 696.54 crore⁵⁰ till March 2016. The MMRDA had also not demanded the payment of the remaining dues of ₹ 643.06 crore on completion of the stipulated period. The MMRDA eventually issued (September 2017) a demand notice after a lapse of more than a year for the dues which had increased to ₹ 770.36 crore, after this was pointed out by audit.

Case-II

M/s Starlight Systems Pvt. Ltd., one of the allottees of Plot No. R 1-2, R 1-3 and R 1-4 requested (March 2010) MMRDA for issue of additional BUA of 32,000 sqm for residential use of above plots. The Authority allotted (April 2010) the same for a total lease premium of ₹ 229.76 crore⁵¹ which was revised to ₹ 298.56 crore⁵², as per the condition of allotment that higher rate between the rates of ready reckoner 2010 and 2011 should be applicable. About 20 per cent of the premium was to be paid by March 2011 and rest in four annual instalments with 10 per cent simple interest payable in every March for the years from 2012 to 2015. Accordingly, the lessee was required

⁴⁹ ₹ 984.90 crore premium + ₹ 197.03 crore simple interest + ₹ 157.67 crore penal interest

⁵⁰ ₹ 341.84 crore premium + ₹ 197.03 crore simple interest + ₹ 157.67 crore penal interest

⁵¹ 32,000 sqm BUA × ₹ 71,800 per sqm (as per ready reckoner rate of 2010)

⁵² 32,000 sqm BUA × ₹ 93,300 per sqm (as per ready reckoner rate of 2011)

to pay lease premium of ₹ 358.27 crore (including simple interest) by March 2015.

Scrutiny of records (March 2017) of Metropolitan Commissioner, MMRDA revealed that the lessee had not adhered⁵³ to the due dates for payment of the instalments. Considering the simple interest (10 per cent) and penal interest (14 per cent) components, the lessee was required to pay ₹ 432.97 crore⁵⁴ by March 2015. However, the lessee paid only ₹ 366.38 crore⁵⁵ till March 2015. After the initial payment made in March and May 2011, the lessee did not adhere to the instalment payment schedule and made the subsequent payments only in March 2015, after utilising the part additional BUA to the extent of 26,500 sqm. The MMRDA also did not insist on the recovery of the dues for the entire additional BUA of 32,000 sqm within the stipulated period as envisaged in the one-time scheme. Failure of MMRDA to ensure the recovery of the lease premium as per the schedule and within the stipulated period of March 2015 resulted in non-recovery of ₹ 66.59 crore⁵⁶ (₹ 432.97 crore - ₹ 366.38 crore) which increased to ₹ 85.23 crore⁵⁷ as of March 2017.

The MMRDA stated (March 2017) that the lessee had made full payment of lease premium with interest and delayed interest towards total additional BUA of 26,500 sqm before issuance of full occupancy certificate.

The reply is not tenable since the allottee was required to pay the dues for the full area of 32,000 sqm within the stipulated period irrespective of the actual BUA utilised by the lessee.

The matter was referred to State Government in October 2017, their reply was awaited as of November 2017.

Housing Department

Slum Rehabilitation Authority

3.7 Undue favour to private developer on incorrect approval of Slum Rehabilitation Scheme

Slum Rehabilitation Authority incorrectly approved a Scheme for rehabilitation of Project Affected People on encumbered land ignoring security concerns of Central Government Agencies, resulting in undue favour to a private developer.

The Hon'ble High Court, Mumbai in its final order dated 14 October 2009 directed Government of Maharashtra (GoM) to chalk out a plan to remove encroachments on and along the water trunk mains supplying water to Mumbai City by 30 July 2015 to protect the potable water.

⁵³ The instalments were paid in March 2011, May 2011 and March 2015

⁵⁴ ₹ 298.56 crore premium + ₹ 59.78 crore simple interest + ₹ 74.63 crore delayed interest

⁵⁵ ₹ 231.99 crore premium + ₹ 59.77 crore simple interest + ₹ 74.62 crore delayed interest

⁵⁶ ₹ 66.51 crore premium + ₹ 0.07 crore simple interest + ₹ 0.01 crore delayed interest

⁵⁷ ₹ 66.51 crore premium + ₹ 0.07 crore simple interest + ₹ 18.65 crore delayed interest

The Government of Maharashtra, Urban Development Department (UDD) decided (July 2010) that the Slum Rehabilitation Authority (SRA) should scrutinise and process the proposals of Slum Rehabilitation Schemes submitted by private developers for providing tenements to 7,500 Project Affected People (PAP) as per the provisions of 3.11 of Appendix IV of Development Control Regulations of Greater Mumbai 1991 (DCR). These PAP tenements were required to be handed over to the Municipal Corporation of Greater Mumbai (MCGM), for rehabilitation of eligible hutment dwellers settled in the encroachments on and along the water trunk mains supplying water to Mumbai City. In turn, the owner of land was entitled for Transfer of Development Rights (TDR) against land transferred to the SRA for construction of the tenements free of cost under the scheme. The MCGM was declared as the Project Implementing Agency (PIA) and was to certify the list of eligible hutment dwellers.

UDD had issued (November 2010) general directive that “No Objection Certificate (NOC)” shall be obtained before granting any development/permission for building proposals on land nearby defence, army, navy or security related organisations within the jurisdiction of MCGM.

Scrutiny of records (February 2017) of Chief Executive Officer, Slum Rehabilitation Authority revealed that the SRA sanctioned (March 2011/January 2012) a Slum Rehabilitation Scheme⁵⁸ on a private land owned by a Developer and located in village Mahul for construction of 8,582 PAP tenements. As per resolution passed by the SRA the land TDR was to be issued to the developer in three stages *viz.* 20 *per cent* after conveyance of land to Government, 65 *per cent* on completion of plinth of 50 *per cent* of the total rehabilitation tenements and remaining 15 *per cent* after grant of occupation certificate to some of the rehabilitation buildings. Further an area of 39,160.23 sqm was required to be transferred to MCGM towards amenity space reservation⁵⁹.

The total area of proposed land was 1,56,640.90 sqm, out of which an area measuring 28,418.78 sqm was in possession of Bhabha Atomic Research Centre (BARC) since the year 1963, as buffer zone for their security purposes. The BARC objected (April 2012) to the scheme as it was falling under its buffer zone, and raised concerns of the scheme being a potential threat to National Security. Similar security concerns were raised (May 2009) by Hindustan Petroleum Corporation Limited (HPCL), since the tenements were adjacent to their Mumbai Refinery.

The SRA, however, disregarded the security concerns raised by BARC and HPCL, and sanctioned (January 2012) construction of 59 numbers of rehabilitation buildings of 70 metres height on the net available plot area of 89,061.89 sqm. The MCGM while changing the use of plot from special industrial zone to residential zone imposed a condition of leaving, a segregating distance of 52 metres from the boundary of the plot of the existing

⁵⁸ On plot bearing CTS Nos. 619/A, 619/B, 620/A, 620/B, 621/A, 621/B, 621/C, 622/A, 622/B, 623/A, 623/A2, 623/B of village Mahul, Chembur, M/East ward, Mumbai

⁵⁹ The original land was situated under special industrial zone. For change of user of land from industrial to residential, 25 *per cent* area of land needs to be reserved as amenity space in terms of DCR 57 4(c)

oil company (HPCL) being a hazardous industry on the adjoining plot. The SRA however, did not adhere to this condition while sanctioning the proposed construction of rehabilitation buildings.

Meanwhile, as per the provision of Clause 3.11 of Appendix IV below Regulation 33(10) of DCR 1991, the Developer handed over land measuring 1,56,640.90 sqm to the SRA vide conveyance deed (April 2011), and equivalent land TDR (1,17,480.67 sqm) was transferred to the developer between May 2011 and June 2012 instead of 20 *per cent* (23,496.13 sqm), in contravention to its own decision referred above, before commencement of any work. This had benefitted the developer as the cost of open land as per then prevalent ready reckoner rates worked out to approximately ₹ 156.85 crore⁶⁰ (₹ 20.30 crore + ₹ 136.55 crore).

Subsequently, due to security concerns raised by the BARC, the Chief Secretary in a meeting convened on 5th October 2013, endorsed the security concerns of BARC and HPCL located close to the said planned SRA scheme and observed that the project may be scrapped forthwith.

Thus, the incorrect approval of the slum rehabilitation scheme by SRA knowing fully well that the proposed land to be received from the Developer was “encumbered” and in releasing the total land TDR simultaneously in undue haste, in contravention to its own directions resulted in undue benefits to the private Developer. Moreover, the very objective of rehabilitation of 8,582 PAPs settled in the encroachments on and along the water trunk mains supplying water to Mumbai City despite High Court’s direction has not been achieved, even after a lapse of seven years.

The matter was referred to State Government in May 2017; their reply was awaited as of November 2017.

Housing Department

Slum Rehabilitation Authority

3.8 Undue benefit to private developers on approval of slum dwellers rehabilitation schemes on account of excess FSI given.

The decision of the Chief Executive Officer, Slum Rehabilitation Authority in not deducting the mandatory 15 *per cent* for recreational/amenity open plot from the total Floor Space Index resulted in undue benefits to the Developers in terms of saleable FSI to the tune of ₹ 37.93 crore.

The Slum Rehabilitation (SR) Schemes in Greater Mumbai are implemented under the Development Control Regulations for Greater Mumbai, 1991 (DCR) as approved by Urban Development Department, Government of Maharashtra.

⁶⁰ 17,810 sqm released in May 2011 and remaining 99,670.67 sqm released in June 2012. The rate of open land in 2011 was ₹ 11,400 per sqm and in 2012 ₹ 13,700 per sqm. Hence, cost of then released TDR was ₹ 20.30 crore (17810 × 11,400) + ₹ 136.55 crore (99,670.67 × 13,700) = Total ₹ 156.85 crore

As per the DCR, 15 per cent Floor Space Index (FSI) on account of recreational/amenity open space shall be deducted in case of plot size exceeding 2,500 square meter (sqm). The minimum density of rehabilitation tenement on a plot has to be 500 tenements per net hectare⁶¹. If the number of tenements to be provided to the slum dwellers is less than 500 tenements per net hectare, the balance shall be handed over free of cost to the Slum Rehabilitation Authority as Project Affected People (PAP) tenements. The Chief Executive Officer (CEO), Slum Rehabilitation Authority (SRA) shall be competent to give relaxation⁶² wherever necessary for reasons recorded in writing, to make the SR Scheme viable. The SRA had approved (June 2009 and August 2015) two SR Schemes⁶³ on Government land.

Scrutiny of records of SRA revealed that in respect of Veer Sambhaji Nagar CHS Ltd., the existing tenement density on the plot was 262 tenements per net hectare. Similarly, in respect of Mulund Salphadevi Pada CHS Ltd, the existing tenement density was 361 tenements per net hectare. In exercise of discretionary powers by the CEO SRA, the scheme was approved without deduction of 15 per cent recreational/amenity open space from the total plot area for calculation of FSI is shown in **Appendix 3.8.1**, which resulted in undue benefit to the Developers in terms of FSI as shown below:

(in square meter)

Name of SR Scheme	Plot Area for FSI	15 per cent deduction	Permissible FSI	FSI Sanctioned	Excess sanction of FSI
Veer Sambhaji Nagar CHS Ltd	17,285.26	2,592.79	44,077.41 ^{\$}	51,855.78 [@]	7,778.37
Mulund Salphadevi Pada CHS Ltd	8,690.36	1,303.55	22,161.00 [#]	26,071.08 [^]	3,910.65
$\$(17285.26 - 2592.79) \times 3$, $\#(8690.36 - 1303.55) \times 3$, $@ 17285.26 \times 3$ and $^ 8690 \times 3$ Note: For both the SR Schemes, the maximum permissible FSI on plot was three.					

The non-deduction of the mandatory 15 per cent open space for calculation of permissible FSI was done by SRA to get more PAP tenements. However, the benefit which accrued to the Developers in terms of additional saleable FSI was substantial when compared to the benefits derived by SRA as mentioned below:

⁶¹ Plot area after deducting all reservations actually implemented on site including the land appurtenant thereto (As per Clause 3.12 of Appendix IV to Regulation 33 (10) of DCR)

⁶² As per Clause 6.24 of Appendix IV to Regulation 33 (10) of DCR

⁶³ (i) Veer Sambhaji Nagar Co-operative Housing Society (CHS) Ltd on Plot bearing City Title Survey (CTS) No. 535 and 541 Part, Village Nahur, LBS Marg, Mulund, Mumbai Suburban District, and (ii) Mulund Salphadevi Pada CHS Ltd on Plot bearing CTS No. 709A and 555 Part of Village Nahur, LBS Marg, Mulund, Mumbai Suburban District

Name of SR Scheme	Net Plot area in hectare	Minimum tenements to be constructed including PAP tenements	Total rehab tenements proposed	Total No. of additional PAP tenements	Total area required for additional PAP tenements (in sqm)	Excess sanction of FSI due to non-deduction of recreational/ amenity open plot (in sqm)	Undue benefit of excess FSI to the Developer (in sqm)
1	2	3	4	5 (3-4)	6	7	8 (6-7)
Veer Sambhaji Nagar CHS Ltd	16,929.40	846 ⁶⁴	852	06	180 ⁶⁵	7,778.37	7,598.37
Mulund Salphadevi Pada CHS Ltd	7,750.38	388 ⁶⁶	390	02	60 ⁶⁷	3,910.65	3,850.65
Total		1234	1242	08	240	11,689.02	11,449.02

Thus, it could be seen from the table above that against the additional eight PAP tenements totalling 240 sqm, the Developers got additional 11,449.02 sqm of FSI, due to non-deduction of the 15 per cent for recreational/amenity purposes. This resulted in undue benefit to the Developers which in financial terms worked out to ₹ 37.93 crore⁶⁸.

In reply, SRA stated (February 2017) that the approval for not deducting 15 per cent for recreational/amenity open plot was accorded under the discretionary powers provided in Clause 6.24 of Appendix IV to Regulation 33 (10) of DCR by the CEO, SRA to make the project viable. Besides the number of PAP tenements also increased.

The reply is not tenable as the decision of the CEO, SRA in not deducting the mandatory 15 per cent for recreational/amenity open plot from the total Floor Space Index, was tantamount to extending undue favour to the Developers as evident from the comparison of the benefits received by SRA and benefits which accrued to the Developers in terms of the saleable FSI.

The matter was referred to State Government in May 2017; their reply was awaited as of November 2017.

⁶⁴ $16,929.40 \times 500/10,000 = 846.47$

⁶⁵ $6 \times 30 \text{ sqm}$

⁶⁶ $7,750.38 \times 500/10,000 = 387.52$

⁶⁷ $2 \times 30 \text{ sqm}$

⁶⁸ $7,598.37 \times 23,000$ (as per prevailing Ready Reckoner rate for open plot) = 17,47,62,510
 $3,850.65 \times 53,100$ (as per prevailing Ready Reckoner rate for open plot) = 20,44,69,515
 (Total 17.48 + 20.45 = 37.93 crore)

Housing Department
Slum Rehabilitation Authority**3.9 Non Removal of encroachments from Airport land**

Failure of the Housing Department to co-ordinate and supervise timely relocation of slum dwellers from Airport land and various concessions extended to the private developer (HDIL) by amending the DCR, in terms of additional Floor Space Index and Transfer of Development Rights given remained unfruitful.



Mention was made in Paragraph 2.1.9 of the Report No. 2 (Civil) of Comptroller and Auditor General of India for the year ended 31 March 2011 regarding Airport slum rehabilitation under Mumbai International Airport Slum Rehabilitation Project.

The Airport Authority of India (AAI) had granted (April 2006) exclusive rights on 276.46 acres of Airport land to Mumbai International Airport Limited (MIAL) for development of Mumbai International Airport. This involved removal and resettlement

of slum-dwellers on Airport land. Government of Maharashtra (GoM) also executed (April 2006) State Government Support (SGS) Agreement with MIAL, as per which, the provisions of State Slum Rehabilitation Act were made applicable for implementation of Slum Rehabilitation Scheme on Airport land, which belong to Central Government/AAI. Further, GoM agreed to provide support to MIAL in clearing the land required for Airport development and relocation of slum-dwellers from Airport land. However, as per clause 3.1.3 of the SGS Agreement the cost for such relocation was to be borne fully by MIAL.

Consequent on the SGS agreement, the Urban Development Department (UDD), GoM, amended (March 2007) the Development Control Regulations (DCR) for Greater Mumbai, allowing inclusion of rehabilitation of the slum dwellers of the Airport land under Clause 3.11 of DCR 33 (10) of the DCR. Accordingly, the encumbered land would be vacated for execution of vital project and the slum dwellers would be rehabilitated on alternate land. This Slum Rehabilitation Scheme was to be implemented by Slum Rehabilitation Authority (SRA). Under this DCR provision, the Developer was eligible for Transfer of Development Rights (TDR) in lieu of land (land TDR) and for construction of tenements (construction TDR).

UDD, GoM appointed (September 2005) the Mumbai Metropolitan Region Development Authority (MMRDA) as a Nodal Agency for survey of slums on Airport land and incidental works. Accordingly, an agreement was executed

(December 2006) between the MMRDA and MIAL, whereby MMRDA agreed to assist MIAL in identifying the slums encumbered on the Airport land, free the encumbered land for Airport operation and devise a strategy/plan for resettlement of the PAPs of Airport land for and on behalf of MIAL. Further, MIAL agreed to procure the land and tenements required and hand over the same to MMRDA for rehabilitation of slum dwellers of Airport land.

For execution of Slum Rehabilitation Scheme for the slum-dwellers on Airport land, MIAL entrusted (October 2007) the work of rehabilitation to Housing Development and Infrastructure Ltd (HDIL) for completion in two phases and about 80,000 families were to be rehabilitated. Accordingly, HDIL executed a Deed of Conveyance (DoC) with SRA (June 2008) for transferring the tenements constructed for rehabilitation along with ownership of land. Further, as per the DoC executed in June 2008, the HDIL had to complete the construction of the rehabilitation tenements and transfer the same within three years from the date of issue of Commencement Certificate. The projects are still incomplete as on date (November 2017).

Audit scrutiny (September 2016) of records and further information obtained (June 2017) from Chief Executive Officer, SRA revealed that:

- Considering the huge rehabilitation component of 80,000 tenements and for maximum utilisation of open land available for construction of PAP tenements in the seven⁶⁹ projects of phase I, SRA granted HDIL four Floor Space Index (FSI) instead of three by increasing the permissible tenement density to 650 tenements per net hectare as against 500 tenements per net hectare permissible in normal Slum Rehabilitation Schemes. In view of the increased FSI allowed by GoM, HDIL was entitled for additional construction TDR of 3,55,729.05 square meter valued at ₹ 409.09 crore⁷⁰.
- As per clause 19 (a) of Annexure B of Deed of Conveyance, SRA had agreed to release proportionate percentage of TDR to the HDIL on completion of particular stage of construction⁷¹. It was seen that instead SRA had released TDR against part completion of construction work of a particular stage. As against total construction TDR of 6,38,589.04 square meter due to HDIL, SRA had released 7,06,012 square meter TDR. Thus, SRA had released advance TDR of 67,422.96 square meter to HDIL valued at ₹ 272.16 crore, in violation of the conditions of the Deed of Conveyance. Even though SRA had released advance TDR to the HDIL, the projects are incomplete till date and the slum dwellers are yet to be resettled.

⁶⁹ 1) Premier 'L' ward Kurla, 2) Bhandari 'L' ward Kurla, 3) Bombay oxygen 'I' ward Nahur, 4) Kilburn 'S' ward Bhandup, 5) Popular Car bazaar Chakala K/E ward Andheri, 6) Mahul Chembur CTS no. 611 and 7) Mahul Chembur CTS no. 604, 605

⁷⁰ $355729.05 \times ₹ 11,500$ (As per Ready Reckoner of 2009) = 4,09,08,84,075 i.e. ₹ 409.09 crore

⁷¹ On completion of plinth work (18 per cent); On completion of RCC work upto third slab (for ground plus five floor structure (14 per cent)); On completion of RCC work upto last slab including overhead water tank (12 per cent); Masonry work (14 per cent); Internal plaster (10 per cent); External plaster (seven per cent); On completion of flooring and internal plumbing (12 per cent); On site and off site completion of drainage, water mains, electric, road, balance RCC work, all other items and obtaining occupation certificate (11 per cent) and Release after defect liability period over (two per cent)

- Out of 27,479 tenements to be constructed by HDIL under phase I, it was seen that only 7,595 tenements were constructed, for which SRA had issued occupancy certificate, and construction of 19,326 tenements were in progress (August 2017). Of 7,595 tenements constructed, 2,107 tenements were utilised for rehabilitating Project Affected People (PAPs) of Sahar Elevated Road Project (Part of the Airport Resettlement Project), while 5,488 tenements were lying unoccupied with HDIL, since SRA, being owner of the tenements, did not take possession of these tenements.

Thus, though the tenements were ready for rehabilitation, SRA had not taken the possession of these tenements from the HDIL, due to non-finalisation of list of eligible slum-dwellers on Airport land and non-receipt of cost of these tenements from MIAL. As a result of this and the tenements which were still under construction, the concessions granted by State Government/SRA to HDIL, in the form of additional FSI and TDR had yielded no benefits to the Government.

MMRDA stated (September 2017) that Dy. Collector (Encroachment), Housing Department has finalised eligibility of slum dwellers of Airport land in two pockets and the process of finalisation of eligibility of slum dwellers in other pockets was in progress. They further stated that since MIAL had not handed over the tenements for relocation of slum-dwellers on Airport land, the rehabilitation work had not started.

Dy. Chief Engineer, SRA stated (November 2016) that TDR was released by SRA considering the current real estate condition to make the Slum Rehabilitation Scheme viable and considering the larger interest of slum dwellers.

Reply of Dy. Chief Engineer, SRA was not tenable as the release of TDR by SRA to HDIL in advance was in contravention to the condition agreed upon in the Deed of Conveyance. Further, the contention that advance release of TDR was in larger interest of slum-dwellers was not convincing, since slum-dwellers on Airport land had not been identified and are yet to be resettled in PAP tenements constructed by HDIL.

The Housing Department failed to co-ordinate with SRA and MMRDA for timely relocation of slum dwellers of Airport land. The concession extended in the form of additional FSI and TDR to the private developer (HDIL) by amending the DCR were thus rendered unfruitful. No slum dwellers could be shifted from Airport land even ten years after the Scheme was taken up thereby defeating the objective of clearance of slums from Airport land which continue to pose a grave security threat to the safety, security and operations of the Mumbai Airport.

The matter was referred to State Government in August 2017; their reply was awaited as of November 2017.

Revenue and Forest Department

3.10 Non-enforcement of order of payment of revised lease rent

Collectors of Mumbai City and Mumbai Suburban failed to enforce the order of payment of revised lease rent as per Revised Policy of the Government resulting in loss of revenue to the tune of ₹ 60.33 crore and the Lessees continued to occupy the premises.

Revenue and Forest Department (Department) Government of Maharashtra (GoM) envisaged (December 2012) a Revised Policy effective from 01 January 2012 for renewal of expired leases of land to charitable trust and private persons for Mumbai City District (Mumbai City) and Mumbai Suburban District (MSD) to increase the revenue receipt of the State. Accordingly, lease rent was to be worked out on the basis of the open land rate provided in the Ready Reckoner (RR) issued by Government of Maharashtra every year and the lease rent would be revised after every five years based on the prevailing RR rate. An opportunity was also to be provided by the Collectors, to the lessees, to exercise an option for taking the leased land on Occupancy Class-2 Right basis⁷². A conversion charge of 20 per cent of the open land rate provided in the RR rate issued by Government of Maharashtra every year was to be recovered from the lessee for the conversion of the leasehold land, on occupancy rights basis.

In Mumbai City, there were 1,307 cases of lease as on January 2012. Of which, 691 cases were due for renewal in terms of the Revised Policy of Renewal of Lease Rent of December 2012. It was seen that though notices had been issued to all these lessees, 72 cases were submitted (between April 2013 and April 2017) to Government for renewal. Of which, Government had approved (between December 2013 and March 2016) only nine cases of renewal of lease, leaving 682 cases pending.

In case of Mumbai Suburban District, there were 356 cases of lease, of which, 135 cases were due for renewal. It was seen that notices had been issued to all these lessees, 10 cases were submitted (between March 2014 and October 2015) to Government during March 2014 to October 2015 for renewal of lease. Of which, Government had approved only one case of renewal of lease in June 2014, leaving nine cases pending for renewal of lease rent.

Test check in Audit (November 2016, May 2017 and June 2017) of 16⁷³ cases of renewal of lease rent as per the Revised Policy of Lease Rent revealed that the Collectors, Mumbai City and MSD had issued orders for renewal of the lease for further 30 years. Audit, however, noticed that though the leases were renewed and revised lease rent fixed, the Collectors, Mumbai City and MSD

⁷² According to Section 29 of Maharashtra Land Revenue Code 1966, Occupancy Class-2 rights cannot be transferred. Further, they have to fulfill the terms and conditions under which the land was provided. Sub lease, pledging of such land *etc.*, also required prior permission

⁷³ seven cases pertaining to the Collector, Mumbai City and nine cases pertaining to the Collector, Mumbai Suburban District

had not recovered the lease rent as per the Revised Policy. As a result, the lessees continued to hold the land without payment of the revised lease rent.

The Collector, Mumbai City replied (November 2016 and May 2017) that due to paucity of staff, they had not provided hearing to any of the lessees whose leases had expired till December 2012.

Thus, failure of both the Collectorates, to enforce the order for payment of lease rent as per the Revised Policy of the Government in time and to initiate action under Section 53⁷⁴ of Maharashtra Land Revenue Code 1966, resulted in loss of revenue of ₹ 60.33 crore for more than five years since January 2012 thereby defeating the objectives of the Government for collecting additional revenue. Besides, the Lessees continued to occupy the premises by payment of lease rent at the old rate though the lease period had expired.

The matter was referred to State Government in August 2017; their reply was awaited as of November 2017.

Housing Department

Maharashtra Housing and Area Development Authority

3.11 Excess sale price for projects in deviation of Pricing Policy

The Maharashtra Housing and Area Development Authority fixed sale price of tenements considering market rate instead of actual land cost in projects at Pune, Satara, Solapur and Hingoli. This resulted in charging of excess profit on allotment of tenements to the extent of ₹ 8.08 crore thereby putting excess financial burden on the families falling under Low and Middle Income Group.

Maharashtra Housing and Area Development Authority (MHADA) is mandated under its Act to provide housing accommodation in the State by constructing tenements for families under Economically Weaker Sector (EWS), Low Income Group (LIG), Middle Income Group (MIG) and Higher Income Group (HIG).

As per the pricing policy (August 2009) of MHADA, the sale price of tenements/shops/plots *etc.*, had to be fixed after considering the land and its development cost, tender cost, 10 *per cent* contingency charges and overhead charges on tender cost, capitalisation of establishment charges and interest and profit⁷⁵ if applicable.

⁷⁴ According to section 53 of Maharashtra Land Revenue Code 1966, If in the opinion of the Collector any person is unauthorisedly occupying or wrongfully in possession of any land or foreshore vesting in the State Government or is not entitled or has ceased to be entitled to continue the use occupation or possession of any such land or foreshore by reason of the expiry of the period of lease or tenancy or termination of the lease or tenancy or breach of any of the conditions annexed to the tenure, it shall be lawful for the Collector to evict such person

⁷⁵ For EWS and LIG no profit is charged. For MIG: five *per cent* and HIG: 10 *per cent*

The Aurangabad Housing and Area Development Board, Aurangabad (AHADB) and Pune Housing and Area Development Board, Pune (PHADB) had published the advertisement in the newspapers between February 2013 and September 2016 for sale of the tenements constructed in the six housing Schemes as detailed below:

Sr. No.	Name of Board	Name of Scheme	Whether completed/ in progress	Up-to-date expenditure as on March 2017 (₹ in crore)
1	PHADB	41 LIG and 14 MIG tenements at Shivaji Nagar, Solapur	Completed	9.02
2	PHADB	86 LIG and 86 MIG tenements at Netaji Nagar, Wanawadi, Pune	In progress	35.11*
3	PHADB	66 MIG, 6 HIG tenements, 11 shops and seven offices at SPA 1, Jule Solapur	Completed	6.74
4	PHADB	54 LIG, 36 MIG and Amenity plot at Dive, Tal. Purandar, Dist. Pune	In progress	6.19*
5	PHADB	Plotted development scheme for 265 LIG, 32 HIG and five amenity plots at Wather-Nimbalkar, Tal. Phaltan Dist. Satara	In progress	1.85*
6	AHADB	106 LIG, 42 MIG, 17 Shops and four Amenity Halls at Hingoli, Aurangabad	In progress	8.15*

Note: * Since the Schemes were in progress the estimated expenditure was considered.

Scrutiny of the records (March and April 2017) and further information obtained (July 2017) from PHADB and AHADB, functioning under MHADA, revealed that though the Schemes implemented were on Government land which was free of cost to MHADA, the sale price of the tenements under these Schemes was fixed based on the prevailing Ready Reckoner⁷⁶ (RR) rates. Taking the price of land at RR rates, when the land cost was minimal to MHADA, was not in accordance with the MHADA's pricing policy of August 2009. As a result of which, the prospective buyers would be charged excess sale price in the range of ₹ 0.81 lakh to ₹ 13.92 lakh per tenement as shown in the **Appendix 3.11.1**.

In response, the Chief Accounts Officer, PH&ADB stated (May 2017) that the RR rate of the year 2013 was adopted for calculation of land as per Government Resolution (May 2006) of Revenue and Forest Department, Government of Maharashtra due to non-availability of records, whereas, the land cost of Netaji Nagar, Pune was calculated as per MHADA's resolution of December 2012. In case of Hingoli, Chief Accounts Officers, AH&ADB, stated (March 2017) that the land cost was considered as per RR rate of respective year for calculating tentative sale price. The final sale price would be calculated according to either RR rate or free of cost land.

The replies are not tenable since the Government Resolution of the Revenue and Forest Department of May 2006 related to the disposal of the Government land, and not for pricing policy of MHADA for sale price of tenements/shops/plots *etc.*

Thus, fixation of sale price of tenements considering market rate of land in contravention of MHADA's pricing policy of August 2009, led to charging of excess sale price in the range of ₹ 0.81 lakh to ₹ 13.92 lakh per tenement,

⁷⁶ Netaji Nagar, Wanawadi, Pune: RR rate of the year 2012; Shivaji Nagar, Solapur: RR rate of the year 2013, Hingoli: RR rate of the year 2009, Dive, Tal. Purandar, Dist- Pune: RR rate of the year 2014, Wather-Nimbalkar, Tal. Phaltan Dist- Satara : RR rate of the year 2013, and SPA-1, Jule, Solapur : RR rate of the year 2013

which further lead to excess profit charged on these six Schemes to the extent of ₹ 8.08 crore.

The matter was referred to State Government in August 2017; their reply was awaited as of November 2017.

Medical Education and Drugs Department

3.12 Undue benefit to an Agency in PPP arrangement in Health Sector

Failure of the Superintendent of GT Hospital in recovering the dues payable by the agency under a Public Private Partnership agreement for CT Scan services, resulted in non-recovery of rent of ₹ 2.53 crore for the machines, besides unauthorised holding of Government assets by a private agency without a valid Agreement in place.

Medical Education and Drugs Department (MEDD), Government of Maharashtra (GoM) approved (September 2009), out sourcing the operations of Magnetic Resonance Imaging (MRI) and Computerised Tomography (C T) scan machines and making and interpreting diagnostic reports generated by these machines to the agency which quoted highest monthly fee to Government, and authorised the Superintendent, Gokuldas Tejpal (G T) Hospital, Mumbai, to execute an agreement in this regard.

Accordingly, Superintendent, G T Hospital, Mumbai entered (September 2009) into a PPP agreement with First Health Care Private Limited, Mumbai (Agency), for a period of three years, for both the services from the date of operational handover. The MRI machine and CT scan machine were handed over for operational purpose to the Agency on 1 December 2010 and 5 March 2012 respectively. Clause 15 of the agreement stipulated that the Agency would pay a monthly rent of ₹ 4.02 lakh for each of the machines, from the date of operation after three months of trial and training period.

Scrutiny of the records (February 2017) and further information obtained (June 2017) from the Superintendent, G T Hospital, Mumbai (Superintendent) revealed that though the Agency was paying monthly rent for MRI machine regularly, the monthly rent for C T scan machine had not been paid since the date of its operation *i.e.* 5 March 2012. The Agency contested that private patients were being referred as Government patients and due to huge difference in the Government rate and private agency rate, the C T scan project was becoming unviable. The Agency also requested (February 2012) MEDD to take appropriate measures so as to arrive at a mutually agreeable solution to make the project viable and successful as per Clause 20 of the PPP agreement.

Based on data for the period 2012-14 furnished by the hospital, 13,570 and 2,062 private patients were scanned for MRI and CT scan respectively by the

agency upto August 2014, for which the charges collected were ₹ 4.38 crore⁷⁷ as against the rent payable of ₹ 2.65 crore⁷⁸. The Superintendent of the hospital did not refute the contention of the Agency and they were allowed to operate though they had defaulted in payment of rent for the CT scan machine. Despite, bringing the issue of non-payment of rent of C T Scan machine by the Agency to the notice of MEDD, and Director, Medical Education and Research (DMER), Maharashtra State, Mumbai (January 2016), the Superintendent did not take any action to verify the Agency's claim of loss, and for recovery of the rent payable in terms of PPP Agreement. Further, no penalty clause had been provided if the agency delayed or did not pay the rent.

No action was initiated to terminate the PPP arrangement as per clause 19 of the PPP agreement by giving three months' notice to the agency.

Further, though the PPP agreement had expired on 1 December 2013 in case of MRI machine and on 5 March 2015 in case of CT scan machine, the PPP arrangement was, allowed to be continued without any legally enforceable Agreement in place.

In reply the Superintendent of G.T. Hospital stated (February 2017 and June 2017) that there was no penalty clause in the Agreement for delay or non-payment of rent and the DMER was informed about the unwillingness of the Agency to pay the rent. Further considering the necessity of providing these services to the patients, the Agency was allowed to operate the machines even after expiry of the Agreement, and further action to renew the agreement had to be taken at Government level.

The fact remained that, the failure of the Superintendent of G.T. Hospital in recovering the dues payable from the agency under the PPP agreement for CT Scan services had resulted in non-recovery of rent of ₹ 2.53⁷⁹ crore, besides unauthorised holding of Government assets by a private agency without a valid Agreement in place.

This matter was referred to State Government in June 2017; their reply was awaited as of November 2017.

⁷⁷ Calculated at the minimum of the rates (1) MRI- Total number of patients 13,570 x ₹ 3000 = ₹ 4.07 crore (2) CT scan – Total number of patients 2,062 x ₹ 1500 = ₹ 0.31 crore

⁷⁸ Rent for 1) MRI (March 2011 to August 2014) 41 months x ₹ 4.02 lakh = ₹ 1.65 crore
2) CT scan (June 2012 to August 2014) 25 months x ₹ 4.02 lakh = ₹ one crore

⁷⁹ ₹ 4.02 lakh per month x 63 months = ₹ 2.53 crore

Water Supply and Sanitation Department
Maharashtra Jeevan Pradhikaran**3.13 Blocking of funds on incomplete Water Supply Scheme**

A faulty Memorandum of Understanding with a private company for a water supply scheme based on the Tillari Dam in Konkan area and non-release of funds to the Maharashtra Jeevan Pradhikaran, had resulted in blocking of funds of ₹ 52.95 crore and liability of ₹ 11.66 crore, besides depriving the targeted beneficiaries of the intended benefits.

The Government of Maharashtra (GoM) had in principle approved (August 2009), a water supply scheme with Tillari Dam as the water source, under the Konkan Development Package 2009⁸⁰(Package) in order to supply drinking water to Sawantwadi, Vengurla, Malwan and other villages on the seashore. The entire Package was to be implemented within three years, *i.e.* by March 2012. The Maharashtra Jeevan Pradhikaran (MJP) decided (September 2010) to execute the scheme as a joint venture project with a private company namely M/s Shree Uttam Steel and Power Limited (SUSPL). A Memorandum of Understanding (MoU) was entered between MJP and SUSPL in April 2011, wherein it was agreed that the entire project cost and proportionate costs to be shared between MJP and SUSPL would be worked out jointly. As per Clause 6 of the MoU, the SUSPL would make the contribution of their share as and when demanded by the MJP, based on the actual progress of work and recommendations of the Joint Committee constituted for monitoring the implementation of the project to ensure completion within the estimated time and cost.

As per clause 11 of the MoU, the balance work was to be completed by MJP, in case SUSPL withdrew their participation midway after the execution of physical work which was required for combined use, and the SUSPL would be liable to pay the amount of their share to the MJP. The MoU, however, did not include any penalty clause, for safeguarding against defaults towards delays/non-contribution of share by the SUSPL towards the Scheme.

Accordingly, Water Supply and Sanitation Department (WSSD) accorded (June 2011) Administrative Approval (AA) of ₹ 216.37 crore to the water supply scheme based upon Tillari dam as water source to supply drinking water to 18 villages, Vengurla town as well as en-route tourist centres and industrial establishments and raw water to SUSPL. As per the AA, the total estimated expenditure of ₹ 216.37 crore was to be shared between GoM and SUSPL at ₹ 75.18 crore (35 *per cent*) and ₹ 141.19 crore (65 *per cent*) respectively.

The Executive Engineer, MJP, U & R Scheme Division⁸¹, Kankavali, Sindhudurg awarded (August 2013) the work of surveying, designing,

⁸⁰ Konkan Development Package 2009 included 50 new schemes/works for the infrastructural development, development of tourism and allied industries in the Konkan region of Maharashtra State to be implemented by various departments

⁸¹ The name of the division was changed to Maharashtra Jeevan Pradhikaran Division, Sindhudurgnagari

constructing, commissioning with trial run of the Tillari Water Supply Scheme, Taluka Dodamarg, District Sindhudurg to M/s. Indian Hume Pipe Co. Limited, Mumbai (Contractor) at ₹ 218.06 crore. The work was to be completed within three years from the date of issue of work order. SUSPL deposited (August 2013) their initial contribution of ₹ 10 crore as demanded by the MJP, and as against further demand of ₹ 30 crore raised (September 2014) by MJP, the SUSPL deposited (January 2015) ₹ 10 crore only.

As SUSPL failed to deposit its entire share, demanded by the Joint Committee constituted, the progress of the work was hampered and finally the contractor stopped (July 2015) work due to paucity of funds after executing only 15 per cent of the work after a lapse of two years and incurring an expenditure of ₹ 52.95 crore.

MJP, therefore, requested (April 2016) the GoM for the release of funds to the extent of ₹ 17.78 crore for completion of the head works and payment of unpaid R.A bills, but the funds were not released. Had the head works been completed, the water level of the river could have been increased and partially Scheme could have been executed for the villages on the river banks.

The total expenditure incurred on the scheme was ₹ 64.61 crore, (₹ 52.95 crore up to date expenditure and ₹ 11.66 crore liability on account of unpaid RA Bills) of which SUSPL had paid only ₹ 20 crore as mentioned above as against the required share of ₹ 41.60 crore, and against the Government's total share of ₹ 75 crore only ₹ 32.95 crore was received by the MJP.

In reply the Chief Engineer, MJP stated (July 2017) that MJP was studying various proposals for capital cost sharing with MIDC and Tourism Department and revised proposal (DPR) would be submitted to GoM for administrative approval.

The reply is not tenable as the MJP/GoM should have thought of these options before entering in to the MoU with a Private Party without safeguarding the interest of GoM. This led to stalling the project midway and blocking of funds of ₹ 52.95 crore and creating a liability of ₹ 11.66 crore, besides depriving the targeted beneficiaries of the intended benefits.

The matter was referred to State Government in May 2017; their reply was awaited as of November 2017.

Urban Development Department

Mumbai Metropolitan Region Development Authority

3.14 Unfruitful Expenditure on Consultancy Charges

Mumbai Metropolitan Region Development Authority appointed a consultant for a road proposal without including the proposal in the Regional Plan. Subsequently the proposal was withdrawn due to alignment issues rendering the expenditure of ₹ 4.15 crore on consultancy charges as unfruitful.

As per provisions of Section 12 of The Mumbai Metropolitan Region Development Authority Act, 1974, the main object of the Authority shall be to secure the development of the Mumbai Metropolitan Region according to the Regional Plan. For the purpose, the Authority can initiate/review any project or scheme for development in the Metropolitan Region. Planning Division of the Mumbai Metropolitan Region Development Authority (MMRDA) was vested with the function of giving advice on land use, new regulations and schemes in the context of implementation of Regional Plan.

Under the Extended Mumbai Urban Infrastructure Project, the MMRDA planned important infrastructure projects comprising eight road/bridge works. The authority appointed (March 2013) a consultant for carrying out pre-tendering activities⁸² for all the eight works for ₹ 13.75 crore. One of the work included was construction of Shirgaon Phata (SH-40)-Padgha-Titwala-Badlapur Road (SH-35) at an estimated cost of ₹ 495 crore, involving consultancy charges of ₹ 5.03 crore. The Consultant submitted the Inception Report and Detailed Project Report (DPR) (May/August 2013) for this work. MMRDA released (January 2016) payments of ₹ 4.15 crore to the consultant up to 8th RA Bill.

Scrutiny of records of The Metropolitan Commissioner, MMRDA revealed (January 2017) that after more than two years of submission of the Inception Report and DPR by the consultant, the Engineering Division noticed (March 2016) that the alignment of the work of construction of proposed road was not exactly on the existing roads of Public Works Department at certain locations, and hence was required to be included in the Regional Plan of MMRDA, so that the project would become authentic. Accordingly, Engineering Division proposed (March 2016) to the Planning Division, MMRDA for inclusion of the said road in the Draft Regional Plan of MMRDA.

The Planning Division requested (April 2016) the Engineering Division to withdraw the proposal of constructing the said road on the reasons that (i) a regional road from Shirsat Phata in Virar to Mumbai Trans-harbour Link via Padgha was already proposed in the Comprehensive Transportation Study (CTS); (ii) two regional rings were proposed in the form of Multi Modal

⁸² Such as survey works, geotechnical investigation, designs, various approvals, details plan and estimate, land acquisition, preparation of bid documents *etc.* up to tender award stage

Corridor⁸³ and Vadodara- JNPT spur⁸⁴ road taken up by National Highway Authority of India (NHAI) running parallel to the proposed alignment; and (iii) the route of proposed road by Engineering Division would disturb the environmentally sensitive area between Shirsat Phata and Padgha. The Assistant Municipal Commissioner (D) also accepted (November 2016) the contentions of Planning Division and directed that further work be stopped on the new link proposed by the Engineering Division.

The CTS (including Multi Modal Corridor) of MMRDA was approved in March 2008, which shows that MMRDA was aware of the CTS and Multi Modal Corridor even before appointing the consultant in March 2013. The decision of the Engineering Division to include the road proposal in the Regional Plan belatedly, after realising that the alignments were not proper and omission to route the proposal initially itself through Planning Division for inclusion in the Regional Plan, rendered the expenditure of ₹ 4.15 crore incurred on consultancy charges as unfruitful.

In reply, MMRDA stated (September 2017) that the Multi Modal Corridor and Spur Corridor of NHAI will be having controlled access and will not be useful for dispersing local traffic. The Shirgaon Phata (SH40)-Padgha-Titwala-Badlapur Road will be useful for exchanging traffic among NH 8, NH 222, SH 35 and SH 40 and for reducing the traffic pressure in rapidly growing suburban areas like Kalyan, Ulhasnagar, Badlapur and Ambernath. Though this proposed road is kept on hold for time being, the same will be taken in hand in future.

The reply only confirms that the road was taken up without approvals of the Authority's Planning division, which has rendered the entire expenditure on consultancy charges of ₹ 4.15 crore as unfruitful.

The matter was referred to Government in July 2017; their reply was awaited as of November 2017.

Skill Development and Entrepreneurship Department

3.15 Unfruitful Expenditure on construction of hostel at ITI, Saoner

In absence of required staff and non-availability of mess facility, the hostel building at ITI, Saoner, district Nagpur could not be put to use, resulting in unfruitful expenditure of ₹ 1.22 crore incurred on construction of the hostel.

The Higher and Technical Education Department, Government of Maharashtra accorded (August 2008) administrative approval for construction of 100-bedded boys hostel for Industrial Training Institute (ITI), Saoner, district Nagpur at a cost of ₹ 1.22 crore with an objective of relieving the students of ITI from the inconvenience of transportation and providing accommodation

⁸³ MMRDA has proposed a Multi Modal Corridor from Virar to Alibag (120 kms) running parallel to the spur road

⁸⁴ A spur route is usually short road forming a branch from a longer more important route *i.e* typically a major road, freeway interstate or motorway

facility to them. The work was awarded (February 2009) to a contractor at a cost of ₹ 1.21 crore for completion by August 2010. The work was completed and handed over to the Principal ITI in October 2014.

Scrutiny of records (March 2016) of the Principal, ITI, Saoner revealed that the hostel building has remained unoccupied as of March 2017 as not a single student had been admitted to the hostel since it was handed over to the Principal. The infrastructure (19 rooms plus one kitchen) created and furniture viz., beds and almirahs were lying unused.

The Principal, ITI, Saoner attributed (March 2016, November, 2016 and March 2017) the vacant hostel building to (a) steep hike (May 2015) in the hostel fees from ₹ 240 to ₹ 1,200 per year per student along with payment of security deposit of ₹ 1,000, (b) easy availability of bus services to the students thus, making it easier for them to commute daily (c) no post of hostel Superintendent or Warden and (d) no arrangement for mess and canteen facilities in the hostel.

The Principal replied (March 2017) that the five rooms of hostel building were being used since March 2017 for admission process, examination control room, educational programme/meeting purpose and classrooms and efforts would be made for admission of students in the hostel in the academic year 2017-18.

The reply of the Principal, ITI, Saoner is not tenable as proposal for appointment of Warden and supporting staff was not sent by the Principal, ITI Saoner though applications for seeking admission to the hostel were received in 2014-15. Even though the proposal was sent by Joint Director, Vocational Education and Training, Regional Office, Nagpur in August 2016, Government failed to appoint Warden and supporting staff till date.

Thus, in absence of required staff and non-availability of mess facility, the hostel building could not be put to use, resulting in unfruitful expenditure of ₹ 1.22 crore, incurred on construction of hostel.

The matter was referred to the Government in May 2017; their reply was awaited as of November 2017.

Medical Education and Drugs Department

3.16 Blocking of Government funds

The Medical Education and Drugs Department did not pursue possession of land from the revenue authorities for more than 11 years, defeating the objectives of creation of medical and health infrastructure at Indora, Nagpur, besides wasteful expenditure of ₹ 0.31 crore.

Para 251 of Maharashtra Public Works Manual (MPW), 1984 stipulates that no work should be commenced on land which has not been duly made over by the responsible civil officer.

Medical Education and Drugs Department (MEDD), Government of Maharashtra (GoM), allotted (December 2005) ₹ five crore as supplementary budget grant for the construction of 250 bedded hospital at Dr Babasaheb

Ambedkar Hospital and Research Centre, Nagpur (BAHRC) at Indora, Nagpur. The above fund was kept as 'Deposit' with Executive Engineer, Integrated unit (Medical) Public Works Division, Nagpur (EE).

In March 2014, MEDD, GoM decided to upgrade BAHRC from 250 beds to 568 beds at a cost of ₹ 209 crore. However, no funds were released by GoM for the same.

Scrutiny of records (February 2017) of BAHRC revealed that due to change in scope and non-availability of required area of land the EE could not start the work. Out of ₹ five crore, an expenditure of ₹ 0.31 crore was incurred on soil investigation and other minor items by the EE. The unspent amount of ₹ 4.69 crore was returned in January 2015 to BAHRC after almost nine years. As of February 2017, funds were lying with BAHRC and have not been surrendered to the Government.

Further scrutiny revealed that total land required for construction of BAHRC was 7.59 acre against which only 4.50 acre land was in possession. The remaining 3.09 Acre of land was not handed over to EE owing to title dispute, which was settled in June 2011 by the Court of Law. Even after this, the Department failed to acquire the required land. A request to transfer the land identified for BAHRC was made to Collector, Nagpur in June 2012. No further pursuance was found on record for seeking possession of land. The proposal for land in the format prescribed by GoM was sought (May 2016) by Collector Nagpur. However, BAHRC has not complied with the requirement as of April 2017.

On this being pointed out, the Medical Superintendent BAHRC credited (October 2017) the amount of ₹ 4.69 crore to Government account. Fact remains that the amount was not utilised for which it was released even after a lapse of 11 years and expenditure of ₹ 0.31 crore incurred on soil testing proved to be wasteful, besides defeating the objective of creating medical and health infrastructure.

The matter was referred to the Government in May 2017; their reply was awaited as of November 2017.

Social Justice and Special Assistance Department

3.17 Wasteful expenditure

Procurement of machinery, tools and equipment by four State ITIs without ensuring compliance with the norms prescribed for affiliation of trades, resulted in wasteful expenditure of ₹ 3.99 crore.

Under Special Component Plan, the Social Justice & Special Assistance Department (SJSA), Government of Maharashtra (GoM) vide its Government Resolution (GR) (January 2006), accorded sanction for starting six⁸⁵ higher level Industrial Training Institutes (ITIs) for Scheduled Caste and Nav-Boudha (SC/NB) boys and girls. The scheme was to be implemented by Director of Vocational Education & Training Department (DVET), Mumbai.

⁸⁵ Mumbai, Pune, Nashik, Aurangabad, Amravati and Nagpur

The GoM had granted approval (January 2006) for starting 12 trades⁸⁶ each in these ITIs with intake capacity of 16 candidates for each trade. For starting a trade in the ITIs, affiliation was required to be obtained from the Director General of Employment & Training, Ministry of Labour & Employment (DGET), New Delhi. With effect from September 2012, accreditation from National Council for Vocational Training (NCVT⁸⁷), New Delhi was also a pre-requisite for affiliation. The condition for affiliation requires specified area, power supply and man-power as per the requirement of a particular trade.

Scrutiny of records (October 2015) of ITIs revealed that out of six ITIs, funds to the tune of ₹ 23.26 crore were released to four ITIs viz., Nagpur, Nashik, Amravati and Aurangabad during the period from 2011-12 to 2015-16. However, the above four ITIs could utilise only ₹ 13.04 crore, constituting 56.06 per cent of the released funds.

It was observed that as against the target of starting 12 trades each, the ITIs could function with only two to four trades⁸⁸ each, as the ITIs failed to get affiliation for remaining ten to eight trades, due to deficiencies in required area, power supply and manpower. It was further noticed, that though the ITIs failed to fulfil the aforementioned requirements, they invested ₹ 3.99 crore on procurement of machinery, tools and equipment for the trades which were non-functional as tabulated below:

Name of ITIs	Number of non-functional trades	Expenditure on machinery and tools (₹ in crore)
Nagpur	10	3.60
Amravati	08	0.09
Nashik	09	0.13
Aurangabad	08	0.17
Total	35	3.99

This resulted in wasteful expenditure of ₹ 3.99 crore as the machinery, tools and equipment could not be put to use.

On this being pointed out by audit (November 2015), the Principal, ITI, Indora, Nagpur stated that machinery worth ₹ 1.16 crore was kept in store. Replies from the remaining ITIs were awaited (September 2017).

⁸⁶ Mechanic Medical Electronics, Operator Advance Machine Tool, Mechanic Motor Vehicle, Mechanic Computer Hardware, Fashion Technology (for girls), Interior Decoration and Designing, Dental lab Technician, Health Sanitary Inspector, Craftsman Food Production (General), Network Technician, Data entry Operator (for girls) and Driver cum Mechanic

⁸⁷ The Council has been entrusted with the responsibilities of prescribing standards and curricula for craftsmen training, advising the Government of India on the overall policy and programs, conducting All India Trade Tests and awarding National Trade Certificates

⁸⁸ Amravati- Computer operator and programme assistant, Craftsman food production, Mechanic motor vehicle and Fashion technology; Aurangabad- Fitter, Electrician, Computer operator and programme assistant and Wireman; Nagpur-Computer operator and programme assistant and Fashion technology; Nashik- Computer operator and programme assistant, Fashion technology, Craftsman food production and Mechanic motor vehicle

Thus, procurement of machinery, tools and equipment without ensuring the compliance to the norms prescribed for affiliation of trades resulted in wasteful expenditure of ₹ 3.99 crore.

The matter was referred to State Government in May 2017; their reply was awaited as of November 2017.

Housing Department

Maharashtra Housing & Area Development Authority

3.18 Irregular construction beyond approved plans

The Maharashtra Housing and Area Development Authority in violation of approved plans, awarded and executed a work beyond the scope of the permissible Floor Space Index resulting in a stalled project and infructuous expenditure of ₹ 16.30 crore.

Maharashtra Housing and Area Development Authority (MHADA) decided (February 2010) to construct 76 High Income Group (HIG) tenements for the Co-operative Society of Government servants⁸⁹ on plot bearing Survey No. 158/23 (Part), CTS No. 5608/A (Part) of Village Kole-Kalyan, Vidya Nagari Marg, Kalina, Santacruz (East), Mumbai. Accordingly, administrative approval of ₹ 23 crore was accorded (November 2010) to the project.

Scrutiny of the records (April 2017) of the Executive Engineer, Bandra Division (Division), of MHADA revealed that though a plan for construction of stilt (S) + 12 upper floors for housing of 72 HIG tenements was submitted (July 2013) to the Municipal Corporation of Greater Mumbai (MCGM), they approved plans for construction of S + three upper floors only, for housing 18 HIG tenements. The MCGM issued the Letter of Approval (October 2013), with a plot potential of 0.80 Floor Space Index (FSI) on the ground that there was no vacant unreserved land available for construction of minimum 60 per cent tenements for Economically Weaker Section, Low Income Group and Middle Income Group since the entire land was reserved for public purposes in the Development Plan.

Audit noticed that MHADA's Bandra division issued (December 2013) work order for construction of S + 12 upper floors for housing 72 HIG tenements at a cost of ₹ 16.52 crore to M/s. B. G. Shirke Construction Technology Pvt Ltd. (Contractor), in contravention to the approved plans of upto S + three upper floors for housing 18 HIG tenements only. As per the work order, the contractor had to execute the work in accordance with the MCGM's approval and amendments issued, if any. The contractor however, executed work up to S + 12 upper floors. The Division, contrary to the approved plans of S + three upper floors, without heed to the approved plans, made payment of ₹ 16.30 crore to the contractor (upto March 2016).

MHADA (October 2016) requested MCGM to regularise the construction beyond the approved plans without levying any penalty. The request was not

⁸⁹ Maitri Co-operative Society Ltd, Mumbai


agreed to by MCGM who issued 'stop work notice' (December 2016). Consequently, MHADA issued (December 2016) stop work notice to the contractor. The work remains incomplete till date (September 2017), stalling the entire project of "Construction of 76 High Income Group (HIG) tenements for the Co-operative Society of Government servants", thereby rendering the entire expenditure of ₹ 16.30 crore infructuous.

As per the extant policy, if the construction beyond the approved plans were to be regularised, the penalty chargeable to MHADA worked out to ₹ 18.80 crore⁹⁰.

Thus, in blatant violations of approved plans, issuing of work order and execution of work beyond approved plans of the MCGM, resulted in stalling of the project and an infructuous expenditure of ₹ 16.30 crore.

The matter was referred to State Government in June 2017; their reply was awaited as of November 2017.

Mumbai,
The 07 February 2018


(SANGITA CHOURE)
Principal Accountant General (Audit)-I,
Maharashtra, Mumbai

Countersigned

New Delhi,
The 08 February 2018


(RAJIV MEHRISHI)
Comptroller and Auditor General of India

⁹⁰ Penalty for work carried out without approval – Excess BUA – (8825.34) × Developed land rate as per Stamp Duty Reckoner (85,200/sq.mt) × Premium rate (25 per cent) × scale of penalty as percentage of premium rates (100 per cent).
i.e. – 8825.34 × 85,200 × 25% × 100% = 18,79,79,742 (The penalty is worked out by MCGM)

