

CHAPTER-IV

AUDIT OF TRANSACTIONS

4.1 Misappropriation

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

4.1.1 Doubtful purchase of material

Taluka Development Officers of Muli and Wadhwan drew Rs.1.49 crore for purchase of material during 2000-02 under Employment Assurance Scheme flouting all set rules and procedures raising doubts on genuineness of the purchases.

A Centrally sponsored Employment Assurance Scheme (EAS) introduced in the State in 1993 was aimed to provide gainful employment for hundred days in a year in the lean agricultural season to maximum two adults per family (in the age group of 18 to 60 years). The scheme was reintroduced with effect from April 2002. A test check of the records (May 2005) of the Taluka Development Officers (TDO) of Muli and Wadhwan¹ revealed that material (mainly sand, stone-metal and cement) worth Rs.1.49 crore² were purchased from a single vendor during 2000-02 in connection with execution of EAS works. This amount was drawn through 58 bills. The following irregularities were noticed in audit in the purchase of this material:

- Public Works Account Code provides that Administrative Approval and Technical Sanction are required to be obtained before commencement of any work. However, these were not found on record.
- Public Works Account Code also provides that quotations or tenders should be invited to obtain competitive rates. TDOs had not followed the procedure of inviting the quotations or tenders.
- TDOs had not maintained stock-registers and thus scrutiny of receipts and issues of material was not susceptible for verification by audit.
- As for bills and receipts available with the TDO, Wadhwan, it was noticed in audit that the supply bills were not machine numbered and did not contain Sales Tax registration numbers, handwriting in supplier's bills resembled with the handwriting of pay order purported to have been made by an official from the TDO, signature of supplier

¹ Under District Panchayat, Surendranagar

² TDO, Muli-Rs.96.85 lakh and TDO, Wadhwan-Rs.51.84 lakh

in the bills and receipts differed, serial number of bills were so consecutive to infer that the supplier had no business other than with the TDO, bill numbers were not in the sequence with the period of works.

- Supplier's bills and receipts for payments were not on record with the TDO, Muli.
- Measurements Books in connection with execution of work (for which material was purchased) were not produced for scrutiny.

On being pointed out (August 2005) in audit, the Collector, Surendranagar admitted (October 2005) that, *prima facie*, the issue involves malpractices by the concerned officers and action would be taken against them in due course.

The matter was referred to the Government (May 2005); reply had not been received (November 2005).

4.2 Overpayment/Unfruitful/Wasteful expenditure

FINANCE DEPARTMENT

4.2.1 Overpayment of pensionery benefits

Failure of Treasury Offices and Public Sector Banks in observing financial rules and orders resulted in overpayment of pensionery benefits amounting to Rs.72.01 lakh.

As per the Gujarat Treasury Rules and the Gujarat Civil Service (Pension) Rules, 2002 and Scheme for pension payments by the Public Sector Banks (PSBs) as applicable to the State of Gujarat, the Treasury Officers (TOs) and the PSBs were responsible for ensuring the correctness of pension payments made with reference to the records maintained by them, before incorporating the transactions in their accounts. They were required to maintain the register in the prescribed form for keeping a comprehensive record of pension payments and each entry of the monthly payment register was to be checked by the TOs/PSBs in token of having applied required checks. The TOs were also required to incorporate the transactions relating to payments made by the PSBs in their monthly accounts on the basis of scrolls received through the State Bank of India after proper verification.

During scrutiny of the records of the Treasury Offices by the Accountant General (Accounts and Entitlement), Gujarat (2002-05) and further transactions of 10 treasuries³ and various branches of seven PSBs⁴ reviewed by the Accountant General (Civil Audit), Gujarat (July-August 2005) revealed

³ Anand, Ahmedabad, Amreli, Bharuch, Gandhinagar, Himatnagar, Jungadh, Mehsana Surat and Vadodara

⁴ State Bank of India, State Bank of Saurashtra, Bank of Baroda, Bank of India, Central Bank of India, Dena Bank and Union Bank of India

the excess payment of pension and family pension aggregating Rs.72.01 lakh in 227 cases, which includes:

- Rupees 21.35 lakh of excess authorization of pension pertaining to 47 cases.
- Rupees 0.39 lakh on account of continued authorization of 'personal pension' along with pension in four cases although personal pension had been discontinued with effect from January 1996.
- Rupees 1.10 lakh due to excess drawal of Dearness Allowance in 10 cases.
- Rupees 49.17 lakh on account of enhanced payment of family pension at rates beyond the dates specified in the Pension Payment Orders (PPOs) in 166 cases although the payment at enhanced rate was required to be discontinued after the dates specified in PPOs.

Further scrutiny of the records revealed that death certificates were not found on record in 13 cases, entries of payment of pensions were not made in 702 cases in PPOs, required certificates like life, non-re-employment and non remarriage certificate were not found on record in 1,182 cases and pension payments in 10 cases were made on the photo copies of PPOs and originals were not available.

Thus due to failure on the part of TOs/PSBs in observing the relevant rules and orders not only resulted in overpayment of Rs.72.01 lakh but also irregular payment of pension in 1,907 cases due to non observance of provisions of the Gujarat Civil Service (Pension) Rules, 2002. It was observed in audit that a system for checking of pension payment records at PSBs level had not been evolved as of November 2005.

These points were referred to the Government (September 2005); reply had not been received (November 2005).

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.2.2 Unfruitful expenditure

Lack of planning resulted in unfruitful expenditure of Rs.54.82 lakh towards minimum electricity charges.

Damanganga Right Bank Canal based Chinchai Lift Irrigation Scheme (CLIS) which was to provide irrigation facilities to 7,700 hectares of land in 18 villages of Valsad district was administratively approved (August 1997) for Rs.13.35 crore. CLIS was executed by the Damanganga Canal Distribution Division-2 (DCDD), Valsad and envisaged construction of feeder canal, intake pump-house with high tension electric line of 1,800 KVA, etc. Scrutiny of the records in audit (November 2004) revealed as under:

The work of construction of feeder canal was allotted (April 2002) at a tendered cost of Rs.1.61 crore to the contractor 'A' to be completed by March 2004. The work, however, remained incomplete as of May 2005.

The civil work including providing and commissioning of eight vertical turbine pumps was allotted (October 1999) to the contractor 'B' at Rs.10.73 crore to be completed by October 2001. This work also remained incomplete as of May 2005.

Though the civil work had not progressed as per schedule, the division proceeded and executed (March 2000) an agreement with the Gujarat Electricity Board (GEB) for 1,800 KVA power supply and deposited (March 2000) Rs.1.12 crore⁵ with them. According to the terms of the agreement, the DCDD was to draw the power from March 2001. However, as civil works were at initial stage of construction, the GEB granted an extension of time for six months upto September 2001. Since no power was drawn even after extended period, the GEB started levying minimum bill for contracted demand at the rate of Rs.1.98 lakh per month (from September 2001). GEB disconnected the supply in January 2002 and terminated the power agreement in January 2004. GEB adjusted (October 2003) its demand of Rs.65.32 lakh from the security deposit of Rs.54.82 lakh and raised demand for balance of Rs.10.50 lakh towards minimum bill. Thus, lack of planning in execution of the agreement by the division as per progress of civil works and feeder canal resulted in unfruitful expenditure of Rs.54.82 lakh as minimum power charges on power bill with accompanied liability towards the same to the tune of Rs.10.50 lakh (Rs.65.32 – Rs.54.82 lakh).

The matter was referred to the Government (July-2005); reply had not been received (November 2005).

ROADS AND BUILDINGS DEPARTMENT

4.2.3 Wasteful expenditure

Failure to carryout California Bearing Resistant test in violation of Government instructions resulted in wasteful expenditure of Rs.2.10 crore.

According to the Government instructions (December 1984), for the road alignments passing through black cotton soil, the California Bearing Resistant (CBR) test, for ascertaining soil bearing capacity was required to be carried out for arriving at correct crust thickness. The work of Dhrangadhra bye pass road⁶ on Viramgam-Dhrangadhra-Halvad road was executed (May 1991) at a cost of Rs.20.56 lakh without conducting CBR test. The road was opened for traffic in August 1997 after construction of bridge across river Falku.

⁵ Rs.56.70 lakh towards new connection and Rs.54.82 lakh as security deposit

⁶ 0/0 km to 6/750 km

Scrutiny of the records of Roads & Building (R&B) Division, Surendranagar (December 2004) revealed that since soil strata in two kilometre stretch was of black cotton soil, the pavement was damaged during every monsoon requiring an expenditure of Rs.2.10 crore⁷ on its repairing during the period 1998-2004 by way of current and special repairs.

The bye pass road linking Kachchh and Ahmedabad districts had constant traffic of heavy vehicles and since the pavement was heavily damaged during each monsoon, the division carried out CBR test and proposed (December 2003) to strengthen the pavement to the crust thickness as required as per the test results. The division failed ensuring the mandatory CBR test before commencement of the work of bypass road; the subsequent test that was carried out had also not been implemented and as such the road was left to the vagaries in absence of permanent treatment.

Thus, construction of road without carrying out CBR test and non-execution of permanent treatment despite heavy damage every year resulted in wasteful expenditure of Rs.2.10 crore on repairs.

The matter was referred to the Government in June 2005; reply had not been received (November 2005).

4.2.4 Unfruitful expenditure on construction of bridge

Failure to ensure completion of works resulted in unfruitful expenditure of Rs.1.27 crore.

Construction of bridge and approach in place of dip on Lathi-Liliya section of State Highway-114 (Work-A) and strengthening of Savarkundla-Ranghola road (Work-B) were allotted to two contractors⁸ in November 2000 and July 2000, at their total tendered cost of Rs.2.61 crore⁹ with stipulated dates of completion by February 2002 and March 2002 respectively. The contractors abandoned (December 2001 and March 2002) the work on account of delay in payments, after executing work of minor bridges, drains and water bound macadam (WBM) treatment worth Rs.1.27 crore.

Scrutiny of the records (April 2004) of R&B Division, Amreli (Division) revealed that the work of laying of bituminous surface on WBM was not executed by both the agencies despite notices. The division proposed (December 2003) relieving the contractor of Work-A treating the partly completed work as complete; final orders for which were awaited (November 2005) from the Department. In respect of Work-B, no remedial action for getting the work completed was taken as of November 2005.

Thus, taking up the work without ensuring availability of funds resulted in unfruitful expenditure of Rs.1.27 crore. Possibility of fast deterioration of WBM surface could not be ruled out due to heavy monsoon of last two years.

⁷ May 1998 (Rs.48 lakh), August 1999 to July 2000 (Rs.12 lakh), April 2000 to November 2000 (Rs.31 lakh), May 2002 to December 2003 (Rs.23 lakh) and October 2002 to July 2004 (Rs.96 lakh)

⁸ Work A- Janak Constructions Pvt. Ltd., Surat and Work B-Shivam Constructions Pvt. Ltd., Amreli

⁹ Work A-Rs.88.28 lakh and Work B-Rs.172.75 lakh

Executive Engineer stated (April 2004) that the roads were motorable and safe. The reply was not tenable as the roads were in use even before taking up work of improvement and strengthening. Bituminous treatment, which was required within a reasonable time for protecting of WBM treatment to achieve the required quality of specifications and against damages during monsoon, was not done.

The matter was referred to the Government (August 2005); reply had not been received (November 2005).

4.3 Excess/Avoidable expenditure

EDUCATION DEPARTMENT

4.3.1 Maintenance grant to aided schools

Non adherence to the norms prescribed by the Government resulted in excess payment of maintenance grant of Rs.1.44 crore by seven District Education Officers.

Government fixed (July 1999) norms for maintenance grant to the non-Government aided schools, according to which schools were entitled for grant at the rates of Rs.1,800, Rs.1,500 and Rs.1,000 per class per month for schools having upto five class rooms, six to 30 class rooms and more than 30 class rooms respectively. Deviating from these scales, the Commissioner of Schools directed (March 2000) the District Education Officers (DEOs) to regulate maintenance grant as under:

Serial No.	Category of School	Amount of grant per class per month	Resultant excess payment per class per month
1.	Schools upto five class rooms	Rs.1,800	Nil
2.	Schools having class rooms between six and 30 class rooms	Rs.1,800 for first five class rooms and Rs.1,500 for class rooms from six and above	Rs.300 for the first five class rooms
3.	Schools having more than 30 class rooms	Rs.1,800 for first five class rooms, Rs.1,500 for class rooms six to 30 and Rs.1,000 for class rooms over 30	Rs.800 for the first five class rooms and Rs.500 for class rooms from six to 30

A test-check of the records of seven DEOs¹⁰ (August 2004, June-July 2005) revealed excess payments of Rs.1.44 crore (2002-04) of maintenance grant due to issuing incorrect instructions as above in respect of 390 schools having more than five class rooms and eight schools having more than 30 class rooms. When pointed out in audit, the DEOs stated (August 2004 and June-July 2005) that maintenance grant was paid on the basis of the instructions of

¹⁰ Amreli, Bhavnagar, Jamnagar, Junagadh, Kachchh, Porbandar and Surendranagar

the Commissioner of Education. Commissioner of Education stated (May 2005) that the matter was referred to the Government (January 2005); the decision was awaited (May 2005). The reply of the Commissioner was not tenable as he was required to issue instructions to the DEOs according to the norms fixed by the Government.

The matter was referred to the Government in July 2005; reply had not been received (November 2005).

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.3.2 Avoidable extra cost due to non finalisation of tender within validity period

Delay by the Government in processing tenders beyond validity period resulted in extra expenditure of Rs.72.74 crore.

Tenders for supply of 50,000 MT of MS Plates for laying of pipe line for transmission of Narmada Water to dams of North Gujarat were invited (January 2002) by the Executive Engineer (EE), Irrigation Mechanical Division (IMD), Gandhinagar. Validity of the tender was 120 days (upto 11 July 2002). In response, solitary offer of the Steel Authority of India (SAIL) was received quoting rates of Rs.19,128.72 per MT which was reduced during negotiation (23 March 2002) to fixed rate of Rs.16,732 per MT. Government accepted the offer (25 July 2002) after 14 days from the date of expiry of validity period of tender and hence the SAIL expressed (31 July 2002) unwillingness to execute the agreement. Government could have expedited the acceptance within the validity period.

Records of the division revealed (July 2004) that during the validity of offer of the SAIL, the tenders were irregularly re-invited (June 2002) with two options i.e. (i) departmental supply of plates and (ii) contractor's own supply of plates. Since the SAIL did not accept order on account of expiry of its offer, the Government opted (August 2002) for second option. The estimates of the project were revised upwards considering the then prevailing rate of steel at Rs.22,394 per MT. The work which was split in six packages, was allotted (December 2002 to March 2003) and completed between September 2004 and January 2005. During the period, 65,670 MT of steel plates were consumed leading to extra avoidable expenditure of Rs.37.18 crore compared to rate of Rs.16,732 per MT offered by the SAIL; besides payment towards star rate¹¹ Rs.5,662/MT difference of Rs.35.56 crore.

¹¹ The price variation on steel brought by the contractor, linked with RBI index is payable as per formula laid down and as per this Rs.35.56 crore was additionally paid

Thus, injudicious delay in finalisation of tender of the SAIL by the Government resulted in avoidable extra expenditure of Rs.37.18 crore¹² on tendered rate difference and Rs.35.56 crore on star rate difference.

On being pointed in audit, the Government stated (August 2005) that tender was accepted within validity period. This was not tenable because as per terms of tender it was valid for a period of 120 days from the last date of receipt of tender i.e. 13 March 2002 to 11 July 2002. Thus, acceptance of tender (25 July 2002) was delayed by 14 days.

4.4 Idle investment/Blockage of funds

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.4.1 Injudicious decision of the Gujarat Water Supply and Sewerage Board to borrow from a financial institution

Non acceptance of beneficial offer of Life Insurance Corporation and injudicious decision of the Gujarat Water Supply and Sewerage Board to borrow money from Karur Vysya Bank Limited resulted in blocking of Rs.104.04 crore and liability of Rs.43.45 crore towards interest of which Rs.2.62 crore had already been paid.

Gujarat Water Supply and Sewerage Board (Board) is a body established under an Act of the State Legislature. Objectives of the Board include execution of individual/group water supply and sewerage schemes on behalf of the Government and hand them over to the concerned local self-governing bodies for operation and maintenance. These schemes are executed with the Government budgetary support and/or obtaining loans from the financial institutions.

The terms and conditions of loan from LIC provided that the Board shall have no right to prepay the principal outstanding of the loan in full or in part except after obtaining prior approval in writing of LIC. Due to declining interest rates, loans from LIC became uneconomical. When the Board requested for the consent (June 2003) for prepayment of Rs.67.66 crore¹³, LIC informed (October 2003) the Board to pay Rs.108 crore¹⁴ (principal) and Rs.10.28 crore (75 per cent net present value (NPV) of loss of interest) for settlement of accounts. However, the Board did not confirm the offer of LIC within 30 days as required. As of August 2004, loans aggregating Rs.100.52 crore were outstanding from LIC. These were repayable up-till February 2028 and carried interest varying from 8.5 to 13 per cent. In November 2004, the Board decided

¹² Retendered rate- Rs.22,394/MT minus SAIL's rate-Rs.16,732/MT=Rate difference-Rs.5,662/MTx 65670 MT = Rs.37.18 crore

¹³ Outstanding loan aggregating Rs.80 crore with rate of interest of 13 per cent

¹⁴ Entire outstanding loans with interest rate varying 8.5 to 13 per cent

to make pre-payment of the entire outstanding of Rs.100.52 crore and requested LIC of their consent, which was not received.

Karur Vysya Bank Limited (KVBL) offered (November 2004) to lend Rs.100 crore for resetting the high-cost debts of the Board. In a partially modified offer (November 2004), KVBL brought down the rate of interest to 7.9 *per cent*.

Board availed (December 2004) the loan (repayable in 10 years) of Rs.100 crore from KVBL and unilaterally remitted Rs.104.04 crore to LIC in full settlement of the dues without the consent of LIC. Due to breach of agreement (regarding obtaining prior written permission for repayment before due dates), LIC refused to receive the payment (April 2005). But as a special case LIC agreed to accept it, if the Board makes payment of interest at the rate provided in the agreement upto the date of payment of principal and Rs.21.08 crore (future interest loss discounted at 8.5 *per cent*) within 30 days. LIC also stated that in case these were not paid within the stipulated date, the payment of Rs.104.04 crore made would be treated as excess remittance and held in suspense account (without interest) for adjustment against normal installments as and when these fall due. A proposal made by the Board (April 2005) to the Government for making payment of Rs.24.34 crore to LIC (Rs.21.08 crore towards future interest loss; Rs.1.66 crore for deferred interest payment due in August 2005 and Rs.1.60 crore deferred interest payment for prepayment of loan) was pending with the Government (July 2005). In this connection, following observations are made:

- Unilateral remittance to LIC breaching the agreement between the parties resulted in blocking of Rs.104.04 crore without earning any interest. This amount would only get adjusted against future installments as and when these fall due.
- A sum of Rs.43.45 crore would be payable to KVBL towards interest over a period of 10 years. Since no benefit was accrued out of advance payment to LIC, payment of interest of Rs.43.45 crore would be loss to the Board. Board had already paid Rs.2.62 crore (April 2005) towards interest.
- LIC initially offered settlement (October 2003) of accounts on payment of Rs.10.28 crore (75 *per cent* NPV loss of interest), which was not availed. Against this the Board sent proposals to the Government for settlement of the account on making payment of Rs.24.34 crore.

Thus, non acceptance of beneficial offer of LIC and injudicious decision of the Board to borrow money from KVBL resulted in blocking of Rs.104.04 crore and loss of Rs.43.45 crore, of which Rs.2.62 crore had already been paid.

When pointed out in audit, the Board stated (April 2005) that looking to the current market fluctuation and revision of interest rates, the Government opined that LIC loans on higher interest rate should be restructured. Board also forwarded proposal to LIC for prepayment of the entire loan with due interest, which was not considered by LIC. Board, therefore followed the

instructions/guidelines and availed the loan from KVBL. The reply of the Board was not tenable, as the written consent of LIC was a pre-requisite for prepayment of the loan.

When the matter was referred to the Government in July 2005; it was replied (November 2005) that the intention of the Government was to minimize the interest burden of high cost on LIC loans after availing of low cost bank loan. It was also stated that LIC loans were guaranteed by the Government and on making repayment, the Board would be free from the burden of guarantee fee. But the fact remains that by remitting the loan amount to LIC without their consent, Rs.104.04 crore were blocked; besides creation of interest liability of Rs.43.45 crore of which Rs.2.62 crore had already paid (April 2005).

4.4.2 Idle investment on an incomplete irrigation project

Failure to take up canal work even after the period of five years since completion of dam work resulted into idle investment of Rs. 8.11 crore and denial of intended benefits to the people.

To provide irrigation in 764 hectares of land in Botad and Dhandhuka talukas, the Government accorded (September 1995) administrative approval (AA) for Rs.9.96 crore for construction of Kaniyad Water Resources Project (Project) on river Utavali near village Kaniyad and the technical sanction (TS) for head works for Rs.3.47 crore was issued in September 1995. The construction of earthen dam, masonry spillway and spillway bridge was completed in March 1999 at a cost of Rs.2.65 crore by the Executive Engineer (EE), Bhavnagar Irrigation Project Division (BIPD). The EE, Mechanical Division-7, Ahmedabad did the fabrication of gates for the dam during April 1998 to December 1999 at a cost of Rs.1.10 crore. A total expenditure of Rs.8.11 crore¹⁵ was incurred on the Project as of December 2004. Audit scrutiny (June 2004) revealed that even after a lapse of five years after completion of dam work and fabrication of gates, canal works were not taken up as land acquisition for construction of main canal (3.66 km) and distributaries (5.20 km) was not completed (December 2004). The command area of the Project was finalised in October 1998 and technical sanction for main canal and distributaries was issued in July 1999. Though design for Head Regulator (HR) was finalised in September 1995, the land acquisition proposal for canal work was submitted to the Revenue authorities in June 1999 and was still pending (December 2004). Meanwhile, the construction of HR was completed in July 2003 at a cost of Rs.12.78 lakh.

Thus, delay in initiating land acquisition process and selection of site for head regulator led to non-completion of canal works and non-utilisation of the reservoir.

The Executive Engineer, BIPD stated (September 2004) that canal work could be taken up only after (i) finalisation of command area, (ii) according of AA, overall technical sanction (OTS) and Detailed Tender Papers (per canal) and (iii) finalisation of land acquisition proposal. EE further stated that there were

¹⁵ Land-(Rs.1.48 crore), head works-(Rs.2.76 crore), gates-(Rs.1.10 crore), canals-(Rs.0.27 lakh) and others-(Rs.2.77 crore)

indirect benefits to the farmers after completion of dam work as subsoil water table in the surrounding area had increased and farmers have utilised the water from their wells due to recharging of water.

Reply of the EE was not tenable as the command area was finalised in October 1998 and AA and OTS for canal work were accorded by the Government belatedly in July 1999 and the indirect benefits in no way impinged upon the construction of proposed canal planned for irrigation of land for which investment on the dam was made.

The matter was referred to the Government (June 2005); reply had not been received (November 2005).

4.4.3 Idle investment in construction of Minor Irrigation Schemes

Failure to complete canal works resulted in idle investment of Rs.7.78 crore on construction of six Minor Irrigation Schemes.

Saurashtra region of Gujarat is a drought-prone area; the average annual rainfall ranges between 500 and 800 mm. It is, therefore, necessary to harness rain-water to the extent maximum possible. Executive Engineers (EEs) of Panchayat Irrigation Divisions (PID), Bhavnagar, Jamnagar and Junagadh have executed six Minor Irrigation Schemes (MIS) to provide irrigation to 2,941 acres of land.

It was observed in audit of these Panchayat Irrigation Divisions that due to delayed acquisition of land for canals or dropping of canal works during 2000-02, benefits of constructions of MISs were not accrued. It was, however, observed that though the canal work, which was ultimately to provide irrigation had not started, an expenditure of Rs.7.78 crore had already been incurred on head works and other subsidiary and ancillary works like office building, store building, work charge payments, etc. Position of constructions of head works and canals were as under:

Sl. No.	Name of Minor Irrigation Scheme	Date of completion of headworks	CCA (In acres)	Expenditure incurred (Rupees in crore)	Progress of work	
					Land acquisition	Canal works
I. District Panchayat, Bhavnagar						
1	Chhaya	October 2000	649	0.59	Acquired (September 2004)	Not started
2	Nagdhaniba	January 2001	262	1.28	Acquired (June 1993)	Stopped since March 2001
3	Varal	February 2002	864	0.79	Acquired (July 2002)	Not started
II. District Panchayat, Jamnagar						
4	Nani Bhalsan	June 1998	265	1.58	Proposed to drop canal works	Not started
5	Veraval	August 1998	230	0.77	Not acquired	Not started
III. District Panchayat, Junagadh						
6	Sonardi	February 2002	671	2.77	Not acquired	Not started
	Total		2,941	7.78		

When pointed out in audit, it was stated (March 2005) by the

- EE, PID, Bhavnagar that proposal for sanction of extra items for MIS-Nagdhaniba was pending with the Government and that tenders for MIS-Chhaya and MIS-Varal would now be invited.

- EE, PID, Jamnagar that acquisition award in respect of MIS-Veraval was declared in November 2002, but due to non allotment of grants, land could not be acquired. Meanwhile a proposal had been submitted (September 2002) to the Government for dropping canal works of Nani Bhalsan MIS.
- EE, PID, Junagadh that process of acquisition of land was under process and possible date of completion of canal works would be known only when works are allotted after completion of land acquisition.

Thus, due to non synchronization of canal works along with dams in respect of these six dams, benefits of irrigation did not accrue to 2,941 acres of land, besides resulting in idle investment of Rs.7.78 crore.

The matter was referred to the Government in June 2005; reply had not been received (November 2005).

4.4.4 Idle investment and blockage of funds

Awarding works without obtaining possession of 75 per cent of land as per codal provisions resulted in idle investment and blockage of Rs.9.95 crore on incomplete irrigation projects; besides deprival of irrigation benefit to 2,425 hectares of the land.

According to paragraph 232 of the Gujarat Public Works Department Manual read with the Government in Roads and Buildings Department letter of August 1995, tenders could be invited only after taking possession of 75 per cent land. As per Clause 39 of the agreement, the Executive Engineer (EE) was required to hand over 100 per cent land within two years of issue of work order.

In following two irrigation projects, the works were commenced before acquiring 75 per cent of land leading to non-completion of projects and idle investment of Rs.9.95 crore as detailed below:

Particulars	Veradi II Water Resources Project	Sabli Water Resources Project
Projected irrigation potential	1,206 ha	1,219 ha
Name of Division	Und Canal Division, Jamnagar	Junagadh Irrigation Project Division, Junagadh
Estimated cost	Rs.11.89 crore	Rs.5.95 crore
Tendered cost	Rs.7.97 crore	Rs.8.59 crore
Date of allotment of work	February 2000	April 2000
Stipulated date of completion of work	February 2003	November 2002
Date of stoppage of work	June 2004	September 2001
Value of work done	Rs.7.31 crore	Rs.2.64 crore
Total land required	322.56 ha	239 ha
Land handed over to the contractor	249.95 ha	73 ha

No further progress was noticed (December 2005). EEs stated (March 2005/July 2004) that at the time of allotting the works it was expected that required land would be obtained during execution. However, land could not be acquired due to non co-operation of land owners and slow process of land acquisition.

Awarding the work without obtaining 75 per cent of land as per codal provision resulted in idle investment and blockage of Rs.9.95 crore on incomplete irrigation projects; besides deprival of irrigation benefit to 2,425 hectares of land of Jamnagar/Junagadh districts.

On being pointed out (June 2005) in audit, the Secretary to the Government stated that acquisition of land was beyond their control. The reply was not tenable as division was required to act as per codal provisions.

ROADS AND BUILDINGS DEPARTMENT

4.4.5 Idle investment on Indroda Bridge

Non construction of link road resulted in idle investment of Rs.18.39 crore on construction of Indroda bridge.

Government decided (1986-87) to divert the traffic of National Highway (NH) 8-C passing through the sensitive VIP area of Gandhinagar and maintain Gandhinagar pollution free by constructing a new bridge across the river Sabarmati near village Indroda.

Construction of main bridge and approaches on both the sides and link road on the western side commenced in November 1994 and April 1997 was completed in May 2000 and March 2002 at a cost of Rs.10.68 crore and Rs.6.32 crore respectively. As of December 2004, the Department incurred Rs.18.39 crore¹⁶ including land acquisition and other work related expenditure.

Scrutiny of the records of the Executive Engineer (EE), Capital Project Division-III (CP-III), Gandhinagar revealed (January 2005) that the bridge could not be networked to NH-8 on eastern side due to non taking up of strengthening and improvement of existing road on eastern side and construction of Lawarpur bypass road as proposed. EE's proposal (October 2000) for link road at an estimated cost of Rs.3.85 crore was turned down (November 2001) by the Government due to paucity of funds and second proposal (June 2003) at a revised cost of Rs.3.98 crore was pending with the Government (January 2005).

Thus, failure to provide funds to strengthen and widen the link road for NH traffic rendered the entire investment of Rs.18.39 crore on the construction of

¹⁶ Land acquisition (Rs.58.11 lakh), bridge (Rs.10.68 crore), approaches (Rs.6.32 crore), work charge (Rs.3.32 lakh) and others (Rs.78.16 lakh)

bridge and approaches as unproductive, besides defeating the very purpose of providing security to VIPs and pollution control.

On this being pointed out (August 2005) in audit, the Government stated that strengthening of link road was under consideration and the bridge was put to use. This was not tenable as the existing road with zig zag and curved alignment, insufficient formation width and crust thickness and lesser carriage width as compared to carriage width of the bridge was not compatible with NH standards as such the purpose of ensuring diversion of the traffic was not achieved since the existing road was unfit for heavy vehicle and heavy traffic.

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

4.4.6 Blockage of funds on vacant houses

Lack of demand and non-provision of basic amenities resulted in blockage of Rs.11.31 crore on vacant houses.

As a part of 20-point programme (1986) for removal of poverty, the Gujarat Housing Board (Board) constructed 6,705 houses at a cost of Rs.20.28 crore during 1996-2000 for sale to economically weaker sections in urban areas of Ahmedabad, Bhavnagar, Rajkot and Vadodara districts as per list of beneficiaries identified by respective District Collectors. Of these 6,705 houses, 2,604 houses costing Rs.11.31 crore could not be disposed off (October 2004) due to lack of demand and non-provision of basic amenities. With the passage of time, houses became susceptible to damage and deterioration, thus losing their marketability. Board stated (October 2004) that efforts will be made to provide water through hand pumps and dispose of houses through publicity in newspapers.

Thus, lack of demand and non-provision of basic amenities resulted in blockage of Rs.11.31 crore besides defeating the very purpose of providing low cost housing accommodation to the economically weaker section of the society.

The matter was referred to the Government (July 2005); reply had not been received (November 2005).

4.4.7 Parking of funds

Gandhinagar Urban Development Authority did not take adequate action for purchase of fire fighting system out of the Government grant of Rupees two crore; instead the amount was deposited in interest bearing deposit.

Gujarat Financial Rules (GFR) provide that no money shall be drawn from Treasury unless it is required for immediate disbursement. It is also not permissible to draw money from Treasury in anticipation of demand or to avoid lapse of Budget grant. GFR further provide that grants for specified

purposes should be utilized within reasonable time and unutilized grants be surrendered to the Government.

Government sanctioned (March 2001) Rupees two crore to the Gandhinagar Urban Development Authority (GUDA) for purchase of 'Snorkel' fire fighting system (FFS) for developing basic infrastructure facilities for the areas falling under the jurisdiction of the GUDA. The amount was drawn (March 2001) from Treasury. The Board of the GUDA constituted a Purchase Committee (March 2002), but except making business enquiries, no action was taken for the purchase of FFS (May 2005). GUDA deposited (April 2001) the amount in short-term interest bearing deposits with the Gujarat State Financial Corporation and renewed it from time to time. The amount had mounted to Rs.2.52 crore (December 2004) when deposits were renewed for a further period of 460 days. Though no effective action was on hand for purchase of FFS, the GUDA did not surrender the grant to the Government. Thus, the purpose for sanction of grant for FFS was defeated denying benefits to the people besides resulting in blockage of the Government funds.

When pointed out (June 2005) in audit, the Government stated (July 2005) that as the amount was sanctioned during last month of the financial year, the amount was temporarily deposited with a Government financial agency as per standing instructions and the deposit renewed from time to time. It was also stated that the GUDA had no technical personnel to handle this highly technical FFS and that its cost was presently more than Rs.4.5 crore, which required additional assistance from the Government. GUDA was, therefore, being directed to finalise proposal for purchase of FFS taking assistance from the Gujarat State Disaster Management Authority. The reply of the Government was not tenable as funds were with the GUDA from March 2001 for purchase of the FFS, but nothing concrete was done in the matter. Moreover, the price of the FFS had also considerably increased and additional funds from the Government would be required for its purchase. Had the GUDA taken necessary action immediately on receipt of funds, this likely additional expenditure on account of enhanced cost also could have been avoided.

4.5 Regulatory issues and other points

EDUCATION DEPARTMENT

4.5.1 Irregular payment of Transport Allowance

Maharaja Sayajirao University, Vadodara made irregular payment of Transport Allowance amounting to Rs.80.83 lakh to the teaching staff not governed by the University Grants Commission scales.

Government Resolution (May 1998) provides for payment of Transport Allowance to its employees effective from April 1998 at the rates prescribed and subject to conditions specified therein. According to the Circular issued

(July 2001) by the Commissioner of Higher Education, teaching staff of Colleges not getting University Grants Commission (UGC) scales were not entitled for payment of Transport Allowance granted under the Government Resolution. Registrar, Maharaja Sayajirao (MS) University, Vadodara accordingly clarified (October 2001) the position to all the Heads of Departments/Faculties.

A scrutiny of the records of the MS University revealed (August 2004) that in contravention of the directives of the Commissioner of Higher Education and clarification of the Registrar, 183 teaching staff members of Faculties of Technology and Engineering and Pharmacy were paid Transport Allowance aggregating Rs.80.83 lakh (April 2001 to March 2005), though they were not governed by the UGC scales. The Dean, Faculty of the Technology and Engineering, MS University stated (March 2005) that the payment of Transport Allowance would be stopped from April 2005, and recovery would be kept in abeyance till the matter is settled.

Fact remained that even after pointing out by audit (August 2004) no action for recovery of Rs.80.83 lakh had been initiated by the University.

The matter was referred to the Government in June 2005; reply had not been received (November 2005).

HOME DEPARTMENT

4.5.2 Non recovery of Water charges from employees occupying Government accommodation

District Superintendent of Police, Jamnagar did not recover from the employees occupying Government accommodation, Rs.60.65 lakh paid to the Jamnagar Municipal Corporation towards their water charges.

Rule 148 of the Bombay Contingent Expenditure Rules (BCER) read with Note-2 below Rule 846 of the Bombay Civil Service Rules (BCSR)¹⁷, as applicable to the State of Gujarat provide that water charges levied by way of Municipal taxes are recoverable from the occupants of the Government accommodation.

A scrutiny of the records (January 2003) of the District Superintendent of Police (DSP), Jamnagar revealed that water charges paid to the Jamnagar Municipal Corporation (JMC) in respect of the Government accommodation occupied by the Police personnel were not recovered from the concerned employees. During 2000-05, the DSP, Jamnagar paid of Rs.60.65 lakh to the JMC, which remained to be recovered (June 2005) from the employees occupying Government accommodation.

When pointed out in audit, the DSP, Jamnagar stated (June 2005) that the matter was under correspondence with the Government. At the Government

¹⁷ Inherited from erstwhile bi-lingual State of Bombay on bifurcation into Gujarat and Maharashtra States

level, the matter remained under consultation with the Finance and Roads and Buildings Departments. However, the Finance Department had issued clarificatory instructions (July 2005) that the water charges were recoverable; thus substantiating the audit contention. Thus, non compliances of BCSR by the DSP/Department resulted in non recovery of Rs.60.65 lakh from its employees since 2000-01.

The matter was referred to the Government in July 2005; reply had not been received (November 2005).

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

4.5.3 Loss on disposal of land

Irregular disposal of land at very low rate to a private trust resulted in loss of Rs.13.18 crore to the Gujarat Housing Board.

Gujarat Housing Board (Board), Ahmedabad leased out (April 2001) to a private trust for 99 years land admeasuring 1,72,801 square metre (sq. mtr.) at Jahangirabad, Surat at the rate of Rs.37 per sq. mtr. plus annual ground rent of Rs.10,000 for establishing a self financed medical college.

Scrutiny of the records of the Board revealed (June 2004) as under:

As per the Government instructions (January 1998), value of land was required to be assessed from the Chief Town Planner before disposing of surplus land for non-agriculture purposes. However, no such valuation report was obtained by the Board before transfer of its land to the trust. As against sale rate of Rs.800 per sq. mtr. communicated (July 1999) to the Government by the Board, the Government fixed (October 2000) value at token lease rate of Rs.37 per sq. mtr. leading to undue favour to the trust and loss to the tune of Rs.13.18 crore to the Board. The reasons for fixing the token rate were not intimated to audit.

Instead of outright sale of land, the Board favoured the trust by leasing of land for 99 years and thereby avoided execution of sale deed which ultimately led to the loss of revenue of Rs.1.94 crore¹⁸ towards stamp duty payable by the trust under the Bombay Stamp Registration Act, 1956.

The land was acquired from the land holders by the Board for construction of housing scheme and earmarked as such by the Surat Urban Development Authority (SUDA). The transfer of land for a purpose other than that for which it was acquired as per SUDA plan was also irregular.

Thus, undue favour to a private party by the Government ignoring its own instructions of January 1998 resulted in loss of Rs.15.12 crore.

The matter was referred to the Government (September 2004); reply had not been received (November 2005).

¹⁸ 14 per cent of recommended sale price of Rs.13.82 crore, i.e. Rs.1.94 crore

GENERAL

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

4.5.4 Lack of response to audit findings

Response to audit findings was not adequate in respect of one District Panchayat and one District Rural Development Agency reviewed.

Accountant General (Civil Audit), Rajkot conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. After inspection, Inspection Reports (IRs) were issued to the Heads of the Departments with copies to the heads of the offices inspected. Rules framed by the Government provide for prompt response to ensure corrective action and accountability. Serious irregularities are brought to the notice of the concerned Secretaries in the form of draft paragraph. A half-yearly report is also sent to the Secretary of the administrative department in respect of pending IR paragraphs to facilitate monitoring of the audit observations.

A scrutiny of IRs issued upto March 2005 pertaining to the District Panchayat (DP), Himatnagar and District Rural Development Agency (DRDA), Junagadh revealed that 366 paragraphs relating to 80 IRs remained outstanding at the end of June 2005. Year wise position of outstanding IRs and paragraphs are detailed below:

Year in which IRs were issued	DP, Himatnagar		DRDA, Junagadh		Total	
	IRs	Paras	IRs	Paras	IRs	Paras
Upto 2000-01	47	143	4	65	51	208
2001-02	7	31	1	23	8	54
2002-03	6	23	1	8	7	31
2003-04	9	36	1	15	10	51
2004-05	3	13	1	9	4	22
Total	72	246	8	120	80	366

Even initial replies, which were required to be furnished by the heads of the offices within four weeks from the date of issue of IR, were not received in respect of 16 IRs (DP, Himatnagar) issued during 1993-2005. Lack of remedial action resulted in non-settlement of these outstanding paragraphs.

The matter was referred to the Government in August 2005; reply had not been received (November 2005).