

CHAPTER-IV

AUDIT OF TRANSACTIONS

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4.1 Fraudulent drawal/misappropriation/embezzlement/losses

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

4.1.1 Suspected fraudulent payment under State Employment Guarantee Scheme

A muster roll payment under State Employment Guarantee Scheme by Deputy Conservator of Forests, Sabarkantha (Himatnagar) included Rs 4,104 paid to people whose names did not figure in the job cards quoted against their names.

National Rural Employment Guarantee Act, 2006 enacted by the Union Government (came into force from 26 January 2006) seeks to provide 100 days' guaranteed employment (in a financial year) to any rural household, whose adult members were willing to do unskilled manual work. The State Employment Guarantee Scheme (SEGS) was launched (August 2006) in six districts¹. SEGS was implemented by District Programme Coordinator (DPC) (district-level) and Programme Officer (PO) (block-level) under the overall supervision and responsibility of the Commissioner, Rural Development. Each household registered under SEGS was assigned job cards with distinctive numbers; the job card number and name was required to be recorded in the muster-roll.

District Programme Coordinator accorded administrative approval (July 2006) for jetropa plantations in 100 hectares in Khedbrahma block (Sabarkantha district); this included 25 hectares in Salara village. Plantation work was got done by the Range Officer, Poshina under Deputy Conservator of Forests (DCF), Himatnagar.

Scrutiny of the records (June-July 2007) of PO, Khedbrahma and DCF revealed that 296 labourers were engaged between 31 July 2006 and 4 August 2006 for trench excavation (1,011 cubic metres earthwork, 3,700 pits and 62,500 plantation of saplings) and payment of Rs 1,01,170 was made. Of the above, 12 names were fraudulently² included for which payment of Rs 4,104 was made by the Forest Guard and countersigned by the Range Forest Officer, Poshina Range.

¹ Banaskantha, Dahod, Dangs, Narmada, Panchamahals and Sabarkantha

² In 11 cases, no such name existed against the job card (Rs 3776); in one case, payment of Rs 328 was made twice to a labourer

Deputy Conservator of Forests, Sabarkantha (Himatnagar) stated (July 2007) that matter will be investigated.

The matter was reported to the Government in August 2007; reply was not received (October 2007).

AGRICULTURE AND CO-OPERATION DEPARTMENT

4.1.2 Loss due to non-recovery of guarantee fees

Failure of Government to enforce recovery of guarantee fee from Madhavpura Mercantile Co-operative Bank resulted in loss of Rs 13 crore.

In order to enable statutory bodies, institutions and others to raise loans from financial institutions or open market, the State Government gives guarantees under the Gujarat State Guarantees Act, 1963. Government Resolution (December 1988), provides that in cases of Co-operative Societies, guarantee fee at the rate of one *per cent* per annum was to be recovered on the sum guaranteed. The Government Resolution further provides that the guarantee fee for the first year should be recovered in advance for the whole of the guaranteed sum; thereafter, every year on the amount outstanding as on 31 March of previous year, till the guarantee is fully vacated. The appropriate administrative department was required to ensure that the concerned institutions execute agreement for due discharge of the terms and conditions governing the guarantee and for payment of guarantee fees.

Government of India (GOI), Central Registrar of Co-operative Societies (CRCS) sanctioned (August 2001) a reconstruction scheme for Madhavpura Mercantile Co-operative Bank (MMCB)³ which had crashed in March 2001. According to the scheme, Co-operative Banks and other co-operative business organisations in Gujarat would infuse Rs 800 crore by way of long-term deposits with MMCB through the nodal agency. Gujarat State Co-operative Bank; GOI and Government of Gujarat were to stand guarantee for repayment of Rs 560 crore (principal) and Rs 240 crore (interest) respectively.

Accordingly, the Government of Gujarat, Agriculture and Co-operation Department stood guarantee (November 2001) for Rs 240 crore, but no guarantee deed was got executed by the MMCB. Government also did not recover any guarantee fee from MMCB. Thus, failure to enforce recovery of guarantee fee resulted in loss of Rs 13 crore⁴ (March 2007) to the State Government.

Deputy Secretary, Agriculture and Co-operation Department stated (May 2007) that there was dissatisfaction among the investors in the Co-operative Banking Sector. As MMCB was under liquidation, it was not

³ A scheduled urban co-operative bank registered under the Multi-State Co-operative Societies Act, 1984 and having 28 branches including two in Maharashtra State

⁴ The payment to MMCB was by way of long term deposit; therefore there was no repayment – hence guarantee fee is worked out on the entire principal of Rs 240 crore from November 2001

prudent to add additional burden by way of charging guarantee fee. Thus, keeping in view of the social and economic security of public at large, Government did not put any clause for recovery of guarantee fee while sanctioning the guarantee. The contention of the Deputy Secretary is not tenable as MMCB is not governed by the appropriate clauses⁵ in the Government Resolution, (December 1988) for exemption from payment of guarantee fee.

The matter was reported to the Government in May 2007; reply was not received (October 2007).

4.1.3 Loss of Central assistance

Due to non-completion of construction of houses under the Centrally Sponsored National Scheme of Welfare of Fishermen and non-submission of Utilisation Certificate to Government of India, State Government lost Central assistance of Rs 1.90 crore during 2003-06

Under the ongoing Centrally Sponsored 'National Scheme of Welfare of Fishermen', a component item 'Development of Model Fishermen Villages'⁶ was being implemented in the State. The fishermen villages were to consist of minimum 10 houses and maximum cost of construction of a house was pegged at Rs 40,000 with a plinth area of 35 sqmts. The financial assistance was to be released at three instalments of 30 per cent, 40 per cent and 30 per cent upon completion of construction of plinth-level, roof-level and entire-house respectively. The construction was to be completed by the beneficiaries themselves or by their societies within one year from the date of sanction of their application for financial assistance.

Administrative Approvals are accorded annually by the Government of India (GOI), Ministry of Agriculture, Department of Animal Husbandry and Dairying. Proposals of the States were being considered on 'first-come-first-served' basis and funds allotted subject to availability, that too after utilisation of funds sanctioned during the previous year. State Governments were to submit proposals for allotment of funds every year within the time limits prescribed by the GOI. The expenditure on the implementation of the Scheme was to be shared by GOI and State Government equally.

Scrutiny of records (May 2007) of the Commissioner of Fisheries (CoF) revealed that GOI sanctioned (August 2003) Rs 63 lakh towards first instalment of Central share⁷ (2003-04) on the Scheme. State Government also released (2003-04) funds to the beneficiaries. However, it was not able to ensure that the houses were completed on schedule. As a result, Utilisation Certificates (UCs) were not furnished till February 2006 despite repeated reminders⁸; as a result, no further grants for the works undertaken during 2003-04 or subsequent years were released by the GOI.

⁵ Clauses VI (2)(4) and VI(2)(5)

⁶ Under this component, construction of houses, provision for drinking water and construction of Community Halls/Work Sheds can be taken up

⁷ For construction of 593 houses, 20 tube-wells and four Community Halls at an estimated cost of Rs 2.50 crore

⁸ September 2003; 6 May 2004; September 2004; January 2005; May 2005; July 2005; December 2005

The State Government incurred an expenditure of Rs 5.06 crore during 2003-06⁹ on the scheme and was therefore eligible for Central assistance of Rs 2.53 crore¹⁰. However, due to non completion of houses within the stipulated period and consequent non-submission UCs for Central assistance of Rs 63 lakh received during 2003-04, State Government lost Central assistance of Rs 1.90 crore¹¹.

CoF stated (May 2007) that UC can be issued only after the beneficiaries completed the construction in respect of the grant released during the year. CoF further stated that the beneficiaries are poor fishermen and that they could purchase building material as and when funds are available with them; as a result, construction of houses was not completed on time and consequently submission of UC delayed.

The reply of the CoF is not tenable; before sanction of financial assistance, State Government was required to ensure that the beneficiary-fishermen were capable to complete construction of houses with the assistance and within the time limit as provided in the GOI guidelines.

The matter was reported to Government in July 2007; reply was not received (October 2007).

FORESTS AND ENVIRONMENT DEPARTMENT

4.1.4 Irregular retention of CAMPA funds in the Consolidated Fund of Gujarat and resultant loss of interest

Failure to credit the amounts realised towards Net Present Value of forest land in fixed deposits resulted in irregular retention of CAMPA funds of Rs 39.79 crore in the Consolidated Fund of the Gujarat for periods ranging 30 months to 36 months and loss of interest of Rs 3.03 crore.

The Hon'ble Supreme Court in their order (October 2002) directed the Government of India (GOI) to create a Compensatory Afforestation Fund (CAF) in which all moneys received from the user agencies towards all compensatory afforestation dues was to be deposited. Since the matter of constitution of CAF was under deliberation, GOI directed (March 2004) all the State Governments to keep all these moneys in fixed deposits (FDs) with any nationalised bank in the name of the concerned Divisional Forest Officer.

Though GOI created (April 2004) Compensatory Afforestation Fund Management and Planning Authority (CAMPA) under the provisions of Environment (Protection) Act, 1986, it was not operational for a long time due to inability of GOI to take formal decision to operationalise CAMPA. GOI, therefore, constituted (May 2006) an *ad-hoc* CAMPA and directed State Governments to remit the moneys to the said CAMPA account.

⁹ 2003-04-Rs 1.45 crore; 2004-05-Rs 2.57 crore; 2005-06-Rs 1.04 crore

¹⁰ 50 per cent of total expenditure of Rs 5.06 crore

¹¹ Rs 2.53 crore minus Rs 63 lakh received during 2003-04 = Rs 1.90 crore

Scrutiny of records (January 2006) of Principal Chief Conservator of Forests (PCCF) and information collected (August 2006) from them revealed that an amount of Rs 39.79 crore realised (April 2004 to May 2006) by various Conservators of Forests (CFs) towards net present value (NPV) of forest land were credited into the Consolidated Fund of the State Government; this resulted in loss of interest¹² of Rs 3.03 crore¹³. Of the amount credited into Consolidated Fund of the State, Government remitted (August 2006) Rs 36.87 crore to the CAMPA account and balance amount of Rs 2.92 crore were not credited to the CAMPA fund, but retained in the Consolidated Fund (March 2007).

Thus, failure to credit the amounts realised towards NPV of forest land in the FDs resulted in irregular retention of CAMPA funds of Rs 39.79 crore with the Consolidated Fund of the Government of Gujarat for periods ranging 30 months to 36 months (March 2007) and resultant loss of interest of Rs 3.03 crore to the CAMPA Fund.

When reported, Government stated (May 2007) that prime concern of a welfare State is to sagaciously utilise State funds for welfare activities. The reply of the Government is not tenable as State Government is under obligation to carry out the orders of the Supreme Court and GOI.

4.2 Infructuous/wasteful expenditure and overpayment

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.2.1 Infructuous expenditure on a water resources project due to overlapping command area

Execution of Brahmani-II Water Resources Project with overlapping command area with Narmada project resulted in infructuous expenditure of Rs 31.74 crore.

Government accorded Administrative Approval (August 1998) for Rs 41.50 crore for construction of Brahmani-II Water Resources Project (BWRP) on river Brahmani near village Susvav, Halvad taluka (Surendranagar district). The scope of work included headworks¹⁴ and canal system. The project, when completed would have a culturable command area of 1,365 hectares on the right bank of the reservoir. Government also accorded Technical Sanction (September 1998) for Rs 34.58 crore for the headworks. The work of construction of earthen dam, spillway, masonry dam, head regulator and spillway gate was awarded (July 2000) to an agency¹⁵ at their tendered cost of Rs 10.92 crore against an estimated cost of Rs 16.38 crore;

¹² Calculated at 6 per cent per annum, being the minimum interest rate offered on FDs

¹³ Rs 2.91 crore (from varying dates upto August 2006 on Rs 36.87 crore) plus Rs 11.68 lakh (from September 2006 to March 2007 on Rs 2.92 crore)

¹⁴ Consisting of earthen dam, spillway, masonry dam, head regulator and others like building, plantation, special tools and plants and communication

¹⁵ Indian Construction Company, Jamnagar

the work was to be completed in 36 months. The agency executed work to the extent of Rs 13.98 crore¹⁶ (December 2006). The work was in the charge of Executive Engineer (EE), Project Construction Division No 4, Rajkot.

Scrutiny of records (February 2007) of EE revealed that the command area of the project overlapped with the command area of Narmada project¹⁷ and Sardar Sarovar Narmada Nigam Limited (SSNNL) completed land acquisition proceedings in 1997 for the canal works. Therefore the Superintending Engineer (SE), SSSNL, Saurashtra Branch Canal Circle-1, Surendranagar reported (October 2001) the matter to the Chief Engineer, SSNNL, Saurashtra Branch Canal, Rajkot stating that execution of the overlapping BWRP was undesirable. Government therefore decided (December 2004) to utilise the BWRP as a balancing reservoir of Narmada project. In all, an expenditure of Rs 31.74 crore was incurred (March 2007) on the project.

Thus, non-coordination within the department resulted in execution of a water resources project with overlapping command area with an ongoing project and consequential infructuous expenditure of Rs 31.74 crore.

When pointed out, the EE stated (February 2007) that BWRP was executed as a balancing reservoir of Narmada project. The reply of the EE is not correct, as the same was administratively approved as an independent water resources project with distribution network. Moreover, a balancing reservoir requires only a simple structure and that it would have been included in the Narmada project and executed by SSNNL.

Government stated (June 2007) that Narmada distribution-network, being vast, would be time consuming; hence the project was planned and executed. Government also stated that the command area of the project was not dropped, but the same would be developed under Narmada project.

The reply of the Government is not correct as the administrative approval (August 1998) does not contain any intention to dovetail BWRP with Narmada distribution network as and when the latter scheme was taken up. Further, the fact of overlapping command area was first of all noticed by the SSNNL. Government letter (December 2004) to SE, Rajkot Irrigation Project Circle clearly states the decision of the Government not to take up the canal work of BWRP is due to the fact that the command area of BWRP overlaps with Narmada project. Therefore, the reply of the Government is an afterthought.

¹⁶ Including Rs 7.53 crore on excess quantities

¹⁷ Dhrangadhra and Malia branch canals of Narmada project

ROADS AND BUILDINGS DEPARTMENT

4.2.2 Sub-standard road work

Government of Gujarat deviated from the specification approved by the Government of India in respect of road work resulting in sub-standard road work costing Rs 1.43 crore.

Government of India (GOI) accorded (February 2004) administrative approval for strengthening of Harij-Sidhpur-Kheralu-Idar¹⁸ inter-state highway¹⁹ at a cost of Rs 1.65 crore from Central Road Fund (CRF). Government of Gujarat (GOG) also accorded (March 2004) technical sanction (TS) of the work at an estimated cost of Rs 1.78 crore. The work was awarded (July 2004) to an agency²⁰ at their tendered cost of Rs 1.47 crore against the estimated cost of Rs 1.72 crore; the agency completed the work (April 2005) at a cost of Rs 1.43 crore. Executive Engineer (EE), Roads and Buildings Division, Himatnagar got the work executed.

Scrutiny (September 2006) of the records of EE revealed that GOI, while according administrative approval, directed the GOG to get the work executed as per specifications of Ministry of Road Transport and Highways (MORTH). The specification of MORTH stipulates usage of 60/70 grade bitumen for highways and urban roads. However, while according TS, GOG deviated from the specification MORTH and fixed 80/100 grade bitumen for the work. The work was executed accordingly (April 2005).

EE, Quality Control (QC), while conducting inspection (October 2004) during execution of work, observed that undulations had developed on the road work at completed stretches and rolling marks were also visible at some places.

Thus, the road work executed did not conform to the specification of MORTH which was approved by GOI and deteriorated even before completion of the work, this resulted in substandard road work amounting to Rs 1.43 crore.

When pointed out, EE stated (September 2006) that agreement with the agency included free maintenance of the road for three years. The reply of the EE is not tenable in view of the fact that work of inferior quality than what was sanctioned by GOI, was executed.

When reported, Government stated (August 2007) that as per Clause 501.2.1 of MORTH specification, the binder shall be an appropriate type of bituminous material complying with relevant Indian Standards. The reply of the Government is not tenable, as it was specifically mentioned in the 'guidelines on selection of the grade of bitumen' (Clause 504.2.1, Appendix 4 of the MORTH's Specification) that high stability requirement cannot be met effectively by less viscous bitumen.

¹⁸ Between km 0/0 and 25/0; presently taken up between 0/0 km and 15/0

¹⁹ Connecting Gujarat with Rajasthan

²⁰ G.H.Vijapura & Co., Himatnagar

4.3 Avoidable/excess/unfruitful expenditure

AGRICULTURE AND CO-OPERATION DEPARTMENT

4.3.1 Avoidable Expenditure due to recommending loan to ineligible societies

After recommending three ineligible sugar co-operative societies to NCDC for payment of working capital loans, the Government did not ensure discharge of liabilities by beneficiaries resulting in avoidable expenditure of Rs 54.05 crore to Government.

In the eligibility criteria for providing short/medium term loan for working capital to marketing/commodity co-operatives, National Co-operative Development Corporation (NCDC) fixed (January 1998) following norms –

- (i) The Society should have been in operation for the last 10 years;
- (ii) The Society should have earned cash profit during past three years;
- (iii) The society should have a positive net-worth as on the closing day of last financial year; and
- (iv) The Society should not be a defaulter to any Government agency/bank/ NCDC or other institution

Scrutiny of records (September 2006) of the Director of Sugar revealed that Government recommended (July 2003, as a special case) to the NCDC sanction of working capital loan of Rs 50 crore in all to three sugar co-operatives²¹ for payment of arrears²² to the member-sugarcane growers of these societies and to carry out its next crushing operation even though the societies did not fulfill the eligibility conditions. NCDC accordingly sanctioned (September 2003) loan of Rs 50 crore to the Government for passing on the same to the beneficiary-societies; the loan carried effective interest rate of nine *per cent*. Government accordingly released (October 2003) the amounts to the beneficiary societies.

One of the conditions of NCDC for sanctioning of loan was that the Government should ensure utilisation of assistance by the beneficiary-societies for the purpose for which it was sanctioned. Of the three beneficiary-societies, one²³ was due to repatriate Government share capital of Rs 42 crore during 2002-03. Government adjusted the said amount while passing on the NCDC loan to the society, which was contrary to the conditions of sanction of loan.

Further, the beneficiary-societies were to repay the loan in three annual instalments commencing from the first anniversary of the release of funds without any moratorium.

²¹ Maroli Vibhag Khand Undyog Mandli Limited, Kolasana (Navsari district)- Rs 15 crore; Sardar Co-operative Sugar Industries Limited, Ladhod (Surat district)-Rs 15 crore; and Vadodara District Co-operative Sugarcane Growers Union Limited, Gandhara (Vadodara district)-Rs 20 crore

²² Against the sugarcane purchased in the last season

²³ Vadodara District Co-operative Sugarcane Growers Union Limited, Gandhara

The beneficiary-societies did not pay the instalments/interest²⁴ on the due dates. As at the end of December 2006, there was undischarged liability of Rs 54.05 crore (Rs 47.60 crore principal; Rs 6.45 crore interest)²⁵ of these societies. While the Government paid instalments/interest to the NCDC on the due dates, it did not take any action to ensure timely payment of instalments/interest by the societies to the Government. This resulted in avoidable expenditure of Rs 54.05 crore to the Government.

When pointed out, Director of Sugar did not offer any remarks (September 2006).

The matter was reported to the Government in April 2007; reply was not received (October 2007).

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.3.2 Unfruitful expenditure on two water resources projects

Execution of two Water Resources Projects (Jamnagar district) without ensuring availability of land for canal system/headworks resulted in non-completion of the work leading to unfruitful expenditure of Rs 20 crore.

Government accorded administrative approval (AA) (September 1998) for Rs 15.95 crore and overall technical sanction (OTS) (October 1998) for Rs 12.93 crore to Gadhaki Water Resources Project (GWRP) in Jamnagar district. The project, when completed would provide irrigation to 1,115 hectares in Jamnagar district. Construction of headworks of the project; was got completed (March 2002²⁶) at a cost of Rs 6.19 crore.

Similarly, Government accorded (June 2000) AA (Rs 18.46 crore) for Minsar (Vanavad) Water Resources Project (MWRP). Government also accorded (September 2000) OTS (Rs 14.41 crore) and detailed technical sanction (Rs 10.98 crore) for the project. The project when completed would provide irrigation to 1,065 hectare in Jamnagar district.

Both the works were in the charge of Executive Engineer (EE), Und Irrigation Division, Jamnagar.

For GWRP, scrutiny (January-February 2007) of records revealed that though OTS was received in October 1998 and construction of headworks commenced in March 1999, there was considerable delay in acquisition of

²⁴ Sardar Co-operative Sugar Industries Limited, Ladhod paid (2004-05) interest amounting to Rs 75 lakh and Vadodara District Co-operative Sugarcane Growers Union Limited, Gandhara paid (2004-05) instalment of Rs 2.40 crore and interest of Rs 1.80 crore (total Rs 4.20 crore)

²⁵ Maroli Vibhag Khand Undyog Mandli Limited, Kolasana-Rs 17.70 crore (principal Rs 15 crore and interest Rs 2.70 crore); Sardar Co-operative Sugar Industries Limited, Ladhod-Rs 16.95 crore (principal Rs 15 crore and interest Rs 1.95 crore); and Vadodara District Co-operative Sugarcane Growers Union Limited, Gandhara-Rs 19.40 crore (Rs 17.60 crore principal and Rs 1.80 crore interest)

²⁶ Work commenced in March 1999

land for canal system²⁷. EE finally made proposal during 2003-04 to the appropriate Revenue authority²⁸ for acquisition of private land required for construction of canal.

For MWRP, the Executive Engineer could acquire 95 per cent of the land till January 2004 when six months were left with the agency for completion of the work. The agency²⁹ requested (September 2006) for relief from the work due to providing land in piecemeal manner and overall increase in cost of construction. The agency completed work to the extent of Rs 4.26 crore (August 2005); there was no progress since then (January 2007).

Commencing work on water resources projects without ensuring availability of land resulted in unfruitful expenditure of Rs 20 crore (Rs 15.74 crore-GWRP + Rs 4.26 crore-MWRP).

When reported (May 2007, July 2007), the Government stated (June 2007) that in the case of GWRP, on completion of reservoir, water table in the surrounding area had improved and farmers were getting indirect benefit out of it. The reply of the Government is not tenable, as accrual of any unintended indirect benefits cannot substitute for the intended direct benefits for which the project has been designed. The Government has not responded to the audit observation on the Minsar Water Resources Project (October 2007).

4.3.3 Unfruitful expenditure due to non-execution of canal works

Delay in execution of canal works resulted in unfruitful expenditure of Rs 2.58 crore on Maghardi Minor Irrigation Scheme.

Government accorded (July 1996) administrative approval for Rs 1.97 crore for Maghardi Minor Irrigation Scheme (Scheme) across river Maghardi in Junagadh district. Government also accorded overall technical sanction (OTS) and detailed technical sanction (DTS) in January 1999 for Rs 1.77 crore and Rs 1.15 crore respectively. The Scheme involved construction of head-works and distribution network. The Scheme was to irrigate 373.23 hectare in kharif and 111.26 hectare in rabi seasons in three villages³⁰ of Visavadar Taluka in Junagadh district. The work was in the charge of EE, Junagadh Irrigation Project Division, Junagadh.

Scrutiny of records (November 2006) of the EE revealed that construction of head-works was completed (July 2002) at a cost of Rs 2.11 crore. However, the canal works due to be completed by March 2003, actually started in October 2006 due to delay as discussed below:-

The revised administrative approval for the canal was accorded on 17 January 2001; OTS and DTS accorded on 6 May 2002 (16 months' delay);

²⁷ Survey work for canals systems started in May 1999 (completed in November 1999), canal alignment finalised (December 1999), proposal for land acquisition were initiated (April 2000), DTS for canal works were received (October 2000)

²⁸ Deputy Collector, Land Acquisition and Rehabilitation (Irrigation), Jamnagar

²⁹ Ranjit Construction Company, Mehsana

³⁰ Hariapur, Limadhra and Ratang

Detailed Tender Papers was approved on 9 June 2004 (25 months' delay) ; tenders invited in September 2004 (three months' delay) ; tenders submitted to Government on 10 December 2004 (three months' delay); tender approved by Government on 28 October 2005 (10 months' delay) and the approved agency made security deposit on 18 September 2006 (11 months' delay).

Government has so far incurred an expenditure of Rs 2.58 crore³¹ on the scheme; but no benefit has accrued to the targeted population.

When pointed out, the EE (November 2006) accepted delay on all the stages.

When reported, Government stated (June 2007) that since 2002, water was being released in the river and areas ranging 40 to 98 hectares³² were being irrigated (2002-06).

The reply of the Government is not tenable as (i) the scheme had no spill-way, there is no question of releasing water; the waste-weir would in natural course overflow unless released to distribution network through head-regulator and (ii) as against the target of providing irrigation to 373.23 hectare in the command area, only 40 to 98 hectare (10 to 26 *per cent*) in the downstream river-line area could get the benefit.

4.3.4 Avoidable expenditure due to purchase of higher class pipes

Gujarat Water Supply and Sewerage Board purchased higher class PVC pipes against the requirement of lower class resulting in avoidable expenditure of Rs 1.17 crore.

Gujarat Water Supply and Sewerage Board (GWSSB) was purchasing PVC pipes from time to time for their distribution system. The pipes were purchased after fixing annual rate contract (RC) through public bidding. GWSSB assessed a requirement of 26.98 lakh MT PVC pipes of different sizes/classes³³ for award of RC for the year 2004-05.

Scrutiny of records (February 2007) revealed that on invitation of offers (January 2004), GWSSB received two lowest quotations³⁴ for 4 kg/cm² class and one lowest quotation³⁵ for 6 kg/cm² class PVC pipes; in all the three cases, the rates quoted per MT for 6 kg/cm² class PVC pipes were less than that of 4 kg/cm² class pipes. Tender and Purchase Committee (TPC) of GWSSB resolved (January 2004) in their meeting to purchase 6 kg/cm² pipes for various water supply schemes. Accordingly, GWSSB accepted the offer (January 2004) of the lowest bidder for supply of 6 kg/cm² class PVC pipes of different sizes and entered into RC (February 2004) with the party.

³¹ Rs 2.20 crore on head-words (including payments to contractor) and Rs 38.30 lakh on other expenditure (consisting of land acquisition, survey and investigation, construction of temporary office, material testing, flood-cell, etc.)

³² 2002-40 hectares; 2003-93 hectares; 2004-70 hectares; 2005-98 hectares; 2006-80 hectares

³³ 6.57 MT PVC pipes with diameters between 63 and 315 mm (4 Kg/sqcm) and 20.41 MT PVC pipes with diameters between 63 and 315 mm (6 Kg/sqcm)

³⁴ Kirti Industries Limited, Indore (63 mm) and Prince Pipes and Fittings, Mumbai (75 mm to 315 mm)

³⁵ Dutron Polymers Limited, Ahmedabad (for all sizes)

Scrutiny of records further revealed that weight of 6 kg/cm² class pipes per running metre (RMT) was about 40 *per cent* higher than that of 4 kg/cm² class pipes and therefore, overall requirement in terms of MT got increased. But, GWSSB did not consider their increased requirement of pipes in terms of MT; this resulted in avoidable expenditure of Rs 1.17 crore.

While admitting that pipes of 6 kg/cm² class were used wherever requirement of 4 kg/cm² class were received, GWSSB stated (April 2007) that average negotiated rate per MT of 6 kg/cm² class pipes was Rs 62,250, whereas the lowest average rate quoted for 4 kg/cm² pipe was Rs 72,914; therefore, purchase of former in place of latter did not entail any extra expenditure. The contention of GWSSB is not tenable, as any requirement of pipes during execution of works is in terms of RMT, whereas their price was in terms of weight and therefore, utilisation of higher class pipes would result in consumption of more quantity (in terms of weight) with consequential avoidable expenditure.

The matter was reported to Government in May 2007; reply was not received (October 2007).

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR AND ROADS AND BUILDINGS DEPARTMENTS

4.3.5 Avoidable liability/payment of interest

Failure to make timely payment of compensation awards on account of land acquisition resulted in avoidable interest liability/payment of Rs 3.47 crore.

Two Executive Engineers (EEs) (Capital Project Division-II (CPD-II), Gandhinagar and Dharoi Canal Division-3 (DCD3), Visnagar) acquired (1995, 2002) land from different parties for development of Capital – Gandhinagar and Dharoi canal works respectively.

Audit scrutiny (August 2006; September 2006) of the records of EEs revealed that Court awarded (December 2003; February 2005 to March 2006) compensation of Rs 43.12 crore (Rs 40.90 crore³⁶ (CPD-II³⁷) + Rs 2.22 crore (DCD3)). Interest³⁸ was also to be given on the total amount payable.

Audit scrutiny further revealed that the matter regarding filing of appeal against the judicial award remained unresolved between Roads and Buildings, Revenue and Legal Departments for a period of 15 months (till March 2005), when it was finally decided to accept the award of the lower Court. EE, DCD3 submitted proposals to Government (between September 2005 and June 2006)

³⁶ Rs 18.26 crore cost of the land; Rs 22.64 crore interest

³⁷ At Rs 210/sqmt with 30 *per cent* solatium and 12 *per cent* increase from the date of notification (August 1992) on the differential price of Rs 178

³⁸ At the rate of nine *per cent* for the first year from the date of taking over possession of land and at 15 *per cent* for the subsequent years till the date of remittance of decretal amount in the Court (CPD-II); 15 *per cent* per annum till payment (DCD3)

for allotment of funds for payment of compensation; however, due to non-allotment of funds compensation could not be paid.

Finally compensation amounting to Rs 46.70 crore (CPD-II-Rs 44.48 crore (principal and interest) + DCD3-Rs 2.22 crore (principal only)) was paid by the divisions between March 2005 to February 2007 towards compensation. Thus, failure to take timely decision regarding filing of appeal/non allotment of funds for payment of decretal amount resulted in avoidable payment of interest/creation of avoidable liability towards payment of interest amounting to Rs 3.47 crore³⁹.

When pointed out –

- EE, CPD-II stated (August 2006) that delay in making payment of the award was due to involvement of various departments; the reply is not tenable as looking to the large sum involved, timely action should have been taken by all concerned
- EE, DCD3 stated (September 2006) that payment towards compensation awards could not be made for want of allotment of funds by the Government. As the decretal amounts are unavoidable payments, timely action should have been taken for discharging the liability; hence the reply is not tenable

The matter was reported to the Government in July 2007; reply was not received (October 2007).

ROADS AND BUILDINGS DEPARTMENT

4.3.6 Avoidable expenditure

Lack of co-ordination between two Government agencies resulted in execution of repair work on a road proposed to be taken up under BOT project resulting in avoidable expenditure of Rs 9.97 crore.

Government accorded (July 2003) administrative approval and technical sanction for repair and rehabilitation of Bhuj-Nakhatrana road at an expenditure of Rs 12.25 crore under World Bank aided Earthquake Emergency Reconstruction Programme (EERP). The work awarded in April 2004 was completed (July 2005) at a cost of Rs 9.97 crore. The repair works carried a defect liability period upto July 2006. Executive Engineer (EE), State Roads Projects Division, Gandhinagar got the work executed.

Audit scrutiny (August 2006) of the records of the EE revealed that pre-feasibility study for development of this road on 'Built, Own and Transfer' (BOT) was conducted (October 2000) by Gujarat State Road Development Corporation (GSRDC). Scrutiny further revealed that within four months of the completion (July 2005) of repair work under the World Bank-aided project, GSRDC awarded (November 2005) BOT project at an estimated cost

³⁹ Rs 2.83 crore avoidable payment of interest-CPD-II; Rs 63.84 lakh avoidable liability towards interest-DCD3

of Rs 35.03 crore to a private-entrepreneur⁴⁰ with a concession period of 159 months. GSRDC stated (November 2007) that the work under BOT has been taken up and nearing completion.

Had the two Government agencies coordinated, the work could have been executed with private funding under the BOT project; there was no need to take up repair work at the cost of Government separately. Thus, lack of coordination between two Government agencies resulted in execution of work with external financial assistance resulting in avoidable expenditure of Rs 9.97 crore.

Executive Engineer stated (August 2006) that though pre-feasibility study for inclusion of road under BOT project was in progress, no decision had been taken when the work was awarded under EERP. Reply of the EE is not convincing as the very fact of award of BOT project within four months of completion of work under EERP indicates that the former-project was under consideration when the work order of latter project was awarded.

The matter was reported to the Government in August 2007; reply was not received (October 2007).

SOCIAL JUSTICE AND EMPOWERMENT DEPARTMENT

4.3.7 Unfruitful expenditure on construction of check dams

Abandoning work on five check dams resulted in unfruitful expenditure of Rs 40.85 lakh.
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Project Administrator (PA), Tribal Area Sub-Plan, Dahod and Executive Engineer (EE), Panchayat Irrigation Division, Dahod accorded administrative approval and technical sanction respectively between December 2000 and March 2001 for construction of 11 check-dams at a cost of Rs 1.17 crore. The PA accordingly placed Rs 1.17 crore (December 2001) at the disposal of the EE, for executing the work. The work order was issued between March 2002 and March 2003; each work was to be completed within six months of issue of the work order.

Scrutiny of records (September 2006) of PA revealed that of the 11 proposed check-dams, the contractors had not started the work of six check dams. As for the remaining five check dams against a tendered cost of Rs 61.61 lakh, contractors had executed work of Rs 40.85 lakh and thereafter abandoned (September 2002) the works reasons for which were not found on record. As there was no progress since then, EE terminated the contracts (January-February 2004). Thus, expenditure of Rs 40.85 lakh⁴¹ was unfruitful. Completion of remaining work would require Rs 27.15 lakh as per the current schedule of rates (2007-08).

⁴⁰ M.S.Khurana Engineering Limited, Ahmedabad

⁴¹ Unspent balance of Rs 76.15 lakh was lying with the Executive Engineer

The PA stated (July 2007) that the remaining work could be taken up only if the Scheduled Caste Development Committee accords approval for the same; the reply thus vindicated the audit point of view.

The matter was reported to the Government in August 2007; reply was not received (October 2007).

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

4.3.8 Unfruitful expenditure on construction of houses for urban poor

Construction of houses for urban poor by the Vadodara Urban Development Authority without demand resulted in unfruitful expenditure of Rs 68.75 lakh.

Heavy shortage of houses for urban poor due to increasing urbanisation was a long standing problem. Hence, it was decided (October 1999) to construct 59,640 houses by six⁴² Municipal Corporations, five⁴³ Urban Development Authorities and Gujarat Housing Board under the 'Chief Minister's 15 point programme'; State Government was to pay a subsidy of Rs 5,000 per house.

Scrutiny (July 2006) revealed that Vadodara Urban Development Authority (VUDA) constructed (August 2002) 458 houses at an expenditure of Rs 3.43 crore⁴⁴ against a target of 462. Only 322 persons had applied for houses in the demand survey conducted in May 2000.

Scrutiny of records further revealed that VUDA could not allot any house till August 2005 as water supply was not completed, thereafter, only 348 units could be allotted (June 2007). Thus construction of houses without demand resulted in unfruitful expenditure of Rs 68.75 lakh⁴⁵ on the 110 vacant houses.

VUDA stated (May 2007) that fresh offers from the beneficiaries were invited and it is expected to allot all the vacant houses soon, as the site is highly developed and fully equipped with all facilities. The reply of VUDA is not tenable, as they ignored the requirement of 322 houses which emerged during demand survey; as a result, 110 out of 458 houses remained unallotted (June 2007) even after four years of completion of construction for want of adequate applicants eligible for and interested in the houses.

The matter was reported to the Government in May 2007; reply was not received (October 2007).

⁴² Ahmedabad, Bhavnagar, Jamnagar, Rajkot, Surat and Vadodara

⁴³ Ahmedabad, Jamnagar, Rajkot, Surat and Vadodara

⁴⁴ Against which they have received Rs 2.49 crore so far (Rs 1.60 crore loan from National Housing Bank (on behalf of the beneficiaries), Rs 1.72 lakh as deposit from 343 beneficiaries, Rs 75.46 lakh being the amount paid by 343 beneficiaries on allotment of houses and Rs 11.45 lakh being subsidy from Government at 50 per cent of the commitment)

⁴⁵ At the allotment rate of Rs 62,500 per unit; proportionate cost of construction for 110 houses being Rs 82.30 lakh (total cost Rs 342,65,168; hence cost for one house is Rs 74,815 × 110 houses = Rs 82,29,650)

4.4 Idle investment/idle establishment/blockage of funds

AGRICULTURE AND CO-OPERATION DEPARTMENT

4.4.1 Blockage of funds due to unauthorised deposit

Unauthorised deposit of Government money with Panchmahal District Central Co-operative Bank resulted in blockage of Rs 54.73 lakh.

Rule 3 of Gujarat Treasury Rules (GTR) provides that moneys standing in the Government account must either be held in a Treasury or in the Bank as defined in the GTR.

After formation of Dahod district (2000), District Registrar, Co-operative Societies (DRCS), Dahod requested (March 2001) the Agriculture and Co-operation Department for permission to open a Personal Leger Account (PLA) with District Treasury Officer, Dahod. After protracted correspondence, permission for opening of PLA was accorded by the Government (June 2004).

Test check of the records (August-September 2004) revealed that during March 2001 to April 2003, DRCS received assistance amounting to Rs 1.28 crore from the Administrator, Tribal Area Sub-Plan (TASP). In violation of the Treasury Rules the DRCS deposited the amount with the Panchmahals District Central Co-operative Bank (DCCB). DRCS, in all, withdrew Rs 79.64 lakh (2001-03) for making payment towards various schemes. The deposit received an interest of Rs 6.72 lakh (March 2001 to September 2005) and finally there was a closing balance of Rs 54.73 lakh (September 2005).

The DCCB ran into problems and the RBI declared (May 2003) the DCCB as a weak-Bank and ordered suspension of all cash transactions; since then, no withdrawal from the accounts of the DCCB was permitted. There was no sign of revival of DCCB thereafter; chances of recovery of the amount appear bleak.

Had the delay on the part of the Government in sanctioning of opening of PLA avoided or DRCS deposited the money in any of the Nationalised Banks as provided in GTR the amount of Rs 54.73 lakh would not have got blocked.

DRCS stated (September 2004) that account with DCCB was opened considering administrative convenience. The reply of DRCS is not tenable as administrative convenience should not have outweighed the mandate of GTR.

The matter was reported to the Government in May 2007; reply was not received (October 2007).

ROADS AND BUILDINGS DEPARTMENT

4.4.2 Blocking of funds on two incomplete bridge works

Failure to complete reconstruction of bridges across Goma and Karad rivers on Halol-Godhra road resulted in blocking of Rs 3.06 crore.

Under the loan assistance agreement (August 2002) with International Bank of Reconstruction and Development (IBRD), Government accorded (August 2002) Administrative Approval and Technical Sanction for reconstruction of two bridges (one each across river Goma and river Karad) on Halol-Godhra road for Rs 7.54 crore under the Gujarat State Highway Project. The work was awarded to an agency⁴⁶ (September 2002) at their tendered cost of Rs 5.94 crore; the stipulated date of completion was September 2003. The Executive Engineer (EE), State Road Project Division (SRP Division), Godhra was in charge of execution of the work. Government appointed (June 2002) Lous Berger International Inc. as the supervising consultant of the work and paid Rs 36.34 lakh towards supervision charges.

A test check of the records of EE (November 2006) revealed that agency could not catch-up the milestones on the due dates (March 2003 and July 2003). On completion date (September 2003), the agency could execute work to the extent of Rs 3.06 crore (August 2006) only despite several notices calling upon them to complete the work within the stipulated time frame.

There were serious deficiencies⁴⁷ in the work executed by the agency and the corrective steps directed by the supervising agency were not carried out (March 2007). No extension of time limit for completion of work was granted as the agency did not ask for it.

Due to defective work, the supervising agency⁴⁸ recommended (May 2005) for termination of the contract and appointment of a more reliable agency. EE reported the matter to Government (September 2005) for termination of the contract for breach of agreement on the part of the agency; but no action was so far taken (November 2006). Thus, defective execution and non-completion of the work resulted in blocking of Rs3.06 crore.

When pointed out, EE stated (November 2006) that liquidated damages amounting to Rs 59.39 lakh was recovered from the running bills paid (April 2003 to March 2005) to the agency.

The Government stated (April 2007) that the contractor has since resumed the work. However, the fact remains that the amount spent remained blocked due to non completion of the work for four years.

⁴⁶ Backbone Project Limited, Ahmedabad

⁴⁷ None of the 13 piles tested indicate concrete strength as per specification; two have doubtful integrity and requires dynamic load test/further investigation; three requires further investigation, two require high strength/dynamic load testing, redesigning pile cap for an abutment and a pier, etc.

⁴⁸ Lous Berger International Inc.

4.5 Regulatory issues and other points

AGRICULTURE AND CO-OPERATION DEPARTMENT

4.5.1 Payment of dues of a sugar co-operative society under liquidation

The Government has not been able to revive Shri Reva Khand Udyog Sahakari Mandli, Amod nor dispose of plant and machinery while repaying Rs 16.74 crore on their behalf against liability on undischarged term-loan.

Government of India (GOI) registered (July 1989) Shri Reva Khand Udyog Sahakari Mandli (Mandli), Amod as a sugar mill. Government of Gujarat (GOG) stood unconditional and irrevocable guarantee (June 1991) for raising term-loan amounting to Rs 16.76 crore by the Mandli from four financial-institutions/banks⁴⁹.

The Mandli could not undertake any crushing operations since 1994-95 and eventually Director of Sugar brought the Mandli under liquidation (March 1999) and appointed a liquidator.

GOG constituted a committee (June 1999) to fix upset price of the plant and machinery (P&M) of the Mandli; the committee submitted their report (September 1999) fixing the upset price at Rs 14.38 crore. An attempt made for the sales of the P&M (December 2000) was abandoned due to requests from sugar-cane farmers for the revival of the Mandli. Another effort for sales of P&M (January 2004) also did not occur due to another attempt (March 2004) for revival of the Mandli. Another round of meeting (July 2006) to decide future course of action also could not yield any fruitful result.

In the meantime, Government settled on a package deal (between March 2003 and June 2006) the dues of the financial institutions/banks and accordingly made payment of Rs 16.74 crore out of the total loan of Rs 16.76 crore.

The Liquidator reported (November 2003) that the machinery had already corroded and was good only for scrapping. The upset price of P&M was refixed (July 2005) at Rs 10.01 crore by another committee. Even if the Mandli could be revived, the use of the same P&M appears doubtful. Thus the Government has failed to revive the Mandli and has also not managed to sell the P&M which is reported to be good only for scrapping even though it has discharged the dues amounting to Rs 16.76 crore of the Mandli.

Director of Sugar stated (April 2007) that in case the Mandli revives its operations properly, there are good chances of recovery of Government dues; the reply is not tenable, as the corroded P&M of the Mandli is unlikely to be usable for operations as and when the Mandli is revived and therefore, there is no justification for non-disposal of the P&M.

⁴⁹ Industrial Financial Corporation of India (Rs 4 crore); Industrial Credit Investment Corporation of India (Rs 4 crore); Industrial Development Bank of India (withdrew Rs 7.96 crore against of Rs 8 crore sanctioned) and Bank of Baroda (Rs 80 lakh)

The matter was reported to the Government in July 2007; reply was not received (October 2007).

**NARMADA, WATER RESOURCES, WATER SUPPLY AND
KALPSAR AND ROADS AND BUILDINGS DEPARTMENTS**

4.5.2 Non recovery of Labour Welfare Cess

Delay in Government notification for recovery of Labour Welfare Cess resulted in non-recovery of Rs 2.25 crore by four Executive Engineers.

Pursuant to Government of India (GOI), Ministry of Labour Notification (October 1996), Government of Gujarat (GOG), Labour and Employment Department, notified (January 2005) recovery of Labour Welfare Cess (cess) at the rate of one *per cent* of the cost of construction from the contractors to meet the expenditure incurred for the various welfare activities of Gujarat Building and other Construction Workers' Welfare Board. GOG also appointed (January 2005) all Heads of the Departments as cess collectors to effect recovery of the cess.

Scrutiny of records (between July 2006 and January 2007) of Executive Engineers (EEs) of four Works Divisions⁵⁰ revealed that the concerned administrative departments issued Circulars (December 2006 and March 2007)⁵¹ directing all works executing officers to incorporate a condition in all agreements for recovery of the cess from the running bills of the contractors. Audit scrutiny further revealed that though the cess became recoverable from the date of notification (January 2005), the EEs of the Works Divisions neither incorporated condition of recovery of cess in the agreement nor recovered it from the respective bills till administrative departments issued the Circular (December 2006/March 2007). This resulted in non-recovery of the cess amounting to Rs 2.25 crore⁵² during the intervening period.

When pointed out, EEs stated (between July 2006 and January 2007) that for want of directions from the administrative departments and incorporation of enabling clause in the agreement, the cess could not be recovered. The reply of the EEs is not tenable; the cess became recoverable from the contractors with the issuance of notification (January 2005).

Government (Narmada, Water Resources, Water Supply and Kalpsar Department) stated (October 2007) that instructions were issued in March 2007 for incorporation of the said condition in the agreements for recovery of Cess; since the works pointed out in Audit pertain to period prior to the instructions issued by them, recovery of cess was not effected from the

⁵⁰ (i) EE, Water Resources Investigation Division, Himatnagar (July 2006); (ii) EE, Irrigation Division, Ahmedabad (August 2006); (iii) EE, National Highway Division, Rajkot (December 2006); and (iv) EE, Roads and Buildings Division, Bhavnagar (January 2007)

⁵¹ Roads and Buildings Department (December 2006); Narmada, Water Resources, Water Supply and Kalpsar Department (March 2007)

⁵² EE, Water Resources Investigation Division, Himatnagar (Rs 1.25 crore); (ii) EE, Irrigation Division, Ahmedabad (Rs 31.43 lakh); (iii) EE, National Highway Division, Rajkot (Rs 30.11 lakh); and (iv) EE, Roads and Buildings Division, Bhavnagar (Rs 38.76 lakh)

respective agencies. The reply is not tenable as the cess should have been recovered immediately from the issue of notification (January 2005) of Labour and Employment Department, GOG. No reply was received from Roads and Buildings Department (October 2007).

PORTS AND TRANSPORT DEPARTMENT

4.5.3 Irregular refund of wharfage

Application of wharfage on crude oil with retrospective effect by Gujarat Maritime Board resulted in refund of Rs 11.52 crore.

Gujarat Maritime Board (GMB), constituted under the GMB Act, 1981 (Act) was entrusted with the responsibility of providing infrastructural facilities for landing and shipping of cargo and levy charges for those facilities.

The Act authorises GMB to prescribe scale of rates for various services; the rates so prescribed shall be effective when they were approved by the Government and published in the official Gazette. Accordingly, GMB notified (9 July 2003) wharfage of Rs 60/MT on crude oil handled at captive jetties; which was subsequently reduced to Rs 36/MT (February 2005).

Scrutiny of records of GMB (March 2007) revealed that the reduced wharfage was applied retrospectively from 18 July 2003 and hence two captive jetty owners were granted refund (March 2005) of Rs 11.52 crore towards charges already paid (July 2003 to February 2005). This application of reduced wharfage with retrospective effect resulted in refund of Rs 11.52 crore.

When pointed out GMB, while justifying their action, stated (April 2007) that the notification (February 2005) providing for reduced wharfage with retrospective effect was issued after due approval of the Government (December 2004). The reply is not tenable as the GMB Act does not provide the notifying scale of rates with retrospective effect.

The matter was reported to the Government in May 2007 reply was not received (October 2007).

4.5.4 Irregular payments

Gujarat Maritime Board made payment of Rs 6.66 crore for developing a crematorium at Gandhinagar and on activities not related to port functions.

In a review presentation (March 2005) given by the Collector, Gandhinagar to the Council of Ministers and senior Secretaries on "Urban-2005", Chief Minister directed that an ultra-modern crematorium be developed at Gandhinagar like a place of tourist attraction. The review meeting also decided that Gujarat Maritime Board (GMB) should sponsor and execute the work on the basis of the plan prepared by a private body.

Scrutiny of records of GMB (March 2007) revealed that Government directed (May 2005) GMB to make payment of Rs 5.05 crore to Urban Development Department for the development of the crematorium and set off the amount against the share of income payable to the Government revenues. GMB accordingly, placed (August 2005) an amount of Rs 5.05 crore at the disposal of the Collector, Gandhinagar for execution of the work.

Treasury Rules provide that all moneys received by States shall be credited to the Government Account and direct application receipts to expenditure is not allowed.

Thus the action of adjusting the money paid to the Collector for the crematorium against the amount receivable from GMB is against the Treasury Rules.

GMB stated (March 2007) that the payment of Rs 5.05 crore was made against the revenues otherwise payable to the Government and therefore does not form part of their expenditure.

Section 25 of the Gujarat Maritime Board Act, 1981 (Act) provides that GMB can undertake such services as provided in Section 32 of the Act. to provide such facilities for handling cargo/passengers at their ports, which includes navigation, pilotage, storage, etc. The Act does not provide for undertaking any works/services other than those related to port matters.

In five cases given below GMB incurred expenditure of Rs 1.61 crore as follows on activities other than those related to port activities:-

(Rupees in lakh)

Sl. No.	Authority to which payment is made	Purpose of payment	Date of payment	Amount
1	Collector, Bhavnagar	Gaurav Din celebrations on 1 May 2005	29 April 2005	20.00
2	Deputy Conservator of Forests, Gandhinagar	Development of Puneet Van for Forest Department	6 September 2005	5.00
3	Collector, Rajkot	Republic day celebrations on 26 January 2006	19 January 2006	5.00
4	Health Department, Gandhinagar	Reconstruction of CHC, Jafrabad	13 March 2006	126.00
5	Health Department, Gandhinagar	Leprosy Programme under State Leprosy Society	13 March 2006	5.00
	Total			161.00

GMB stated (March 2007) that all the payments were made with the approval of or on the directives of the Government. The fact remains that the GMB undertook the functions and incurred expenditure on the cited items which were beyond those mandated by the GMB Act, 1981.

The matter was reported to the Government in July 2007; reply was not received (October 2007).

ROADS AND BUILDINGS DEPARTMENT

4.5.5 Locking up of Government property without receipt of rental value

Failure to arrive at agreement with the sub leasee on revised land value for computation of rent as required resulted in locking up of Government property worth Rs 29.66 crore at low lease rent.

Government leased out (January 1982 and August 1987) 10,748 sqmt of land (with superstructure) in Vadodara city for 30 years to Gujarat Industrial Investment Corporation (GIIC) for setting up a joint sector hotel project. Government decided (May 1990) that rent for the lease-premises would be recovered from October 1984. During the lease period, the land would remain under the administration of the Executive Engineer (EE), City Roads and Buildings Division, Vadodara.

The agreement executed (November 1983, June 1991) between Government and GIIC provides that the lease term would commence from October 1983 (8,220 sqmt land) and December 1988 (2548 sqmt land). The agreement further provides that the annual rent equal to six *per cent* of the cost of the land was payable for the first eight years; at the rate of 12 *per cent* for next nine years and for the remaining period of 15 years, at 15 *per cent* on the revised value of the land. According to the agreement, value of land for computation of rent for the last spell of 15 years shall be determined by Government and joint-sector hotel project by agreement; in case failure to reach an agreement, the same will be decided by arbitration.

Gujarat Industrial Investment Corporation also entered into agreement (October 1989) with Gujarat Hotels Limited⁵³ sub-leasing the land on the same terms and conditions for execution of the hotel project.

Test check (October 2005) of records of EE revealed that the Town Planning Department decided (January 2000) the revised value of the land at Rs 29.66 crore⁵⁴; however, no agreement on the revised value for the last 15 years was reached between the parties⁵⁵. Therefore, the rent fixed⁵⁶ (July 2006) by the Government (effective from October 1999) was not accepted (October 2006) by the sub-leasee, and the sub-leasee continued to pay annual rent at the then prevailing rate⁵⁷.

Thus, failure of the Government to reach an agreement with the sub-leasee on the revised value of the leasehold land as required to be done after passage of 15 years lead to locking up the property worth Rs 29.66 crore at low rental which is far below the present assessed value. The EE stated (November 2007) that Gujarat Hotels Limited had requested (October 2006) for joint sitting to derive the value of the land mutually agreeable; but EE neither clarified the

⁵³ A company registered under the Companies Act, 1956

⁵⁴ At Rs 27,600/sqmt

⁵⁵ Government and Gujarat Hotels Limited

⁵⁶ At Rs 4.37 crore *per annum*

⁵⁷ At Rs 19.67 lakh *per annum*

present status on joint sitting nor responded (November 2007) to a specific query as to whether any arbitration proceedings has since started to resolve the issue.

The matter was reported to the Government in July 2007; reply was not received (October 2007).

4.5.6 Non realisation of cost of land acquired for Airport Authority of India

Without realisation of old dues, Executive Engineer, Ahmedabad City Roads and Buildings Division continued to acquire land for expansion of the Ahmedabad Airport resulting in non-receipt of Rs 5.38 crore.

Airport Authority of India (AAI) is a Government of India (GOI) undertaking working on commercial basis for providing civil aviation infrastructural facilities.

AAI undertook extension programme of Ahmedabad airport from time to time; on requests from AAI, the land required for such extensions were acquired by the Government of Gujarat (GOG) through Executive Engineer (EE), City Roads and Buildings Division, Ahmedabad.

A test check of the records of EE (May 2005) revealed that during 1987-99, GOG acquired 46.74 hectare land for the AAI and paid compensation amounting to Rs 5.88 crore (March 2007). However, AAI had so far made payment of Rs 50 lakh only (in respect of land acquired in 1987-88) and Rs 5.38 crore is outstanding against them.

However, Government did not take any effective steps for realisation of the cost from AAI, which resulted in non-realisation of Rs 5.38 crore from AAI towards the land acquired and handed over to AAI (March 2007).

When pointed out (May 2005), EE did not offer any reason for the point at issue.

The matter was reported to the Government in July 2007; reply was not received (October 2007).

4.5.7 Delayed completion of a border road resulting in cost overrun

Failure of the State Government in obtaining clearance of Ministry of Defence for construction of a border road resulted in delay in completing work and cost overrun of Rs 4.09 crore.

Executive Engineer (EE), Roads and Buildings (R&B) Division, Palanpur got completed (April 1998) Jalolya-Nadabet road between 6/0 km and 19/600 km upto Water Bound Macadam (WBM) at a cost of Rs 67.50 lakh under Border Area Development Programme.

Subsequently, the Government accorded (March 1998) Administrative Approval and Technical Sanction for Rs 1.65 crore for the asphalt carpet work

of the road. The work was awarded (October 1999) at a tendered cost of Rs 1.88 crore against the estimated cost of Rs 2.13 crore; the work was to be completed in September 2000.

For security reasons the road falls under the jurisdiction of Defence Ministry, though its ownership was vested with R&B Department. Consequently, immediately on commencement of work, Ministry of Defence (MoD) directed (November 1999) EE to stop the work for want of clearance from the Ministry.

Test check (January 2006) of the records of the EE revealed that on receipt (August 2003) of clearance from the MoD, the EE split the work (Km 6/0 to 11/0 and 11/0 to 19/600) and the estimates were accordingly sanctioned (December 2003/April 2005) by the Government.

The work between km 6/0 and 11/0 estimated to cost Rs 1.50 crore was awarded to an agency (April 2004) at a tendered cost of Rs 1.31 crore; the agency completed (March 2005) the work at a cost of Rs 1.27 crore. Similarly, work between km 11/0 and 19/600 estimated to cost Rs 4.69 crore awarded to an agency (July 2005) at a tendered cost of Rs 4.91 crore; was completed (October 2006) at a cost of Rs 4.70 crore (total Rs 5.97 crore). This resulted in delay in completion of the work and cost overrun of Rs 4.09 crore (Rs 5.97 crore – Rs 1.88 crore).

When pointed out, Government stated (September 2007) that the work at first stage was taken up after receipt of request (December 1996) from Deputy Inspector General of Border Security Force (Gujarat Range). However, when the agency commenced (October 1999) second stage of work, MoD directed (November 1999) the State Government to stop the work. Had the department taken prior clearance of Defence, the delay in construction and consequent cost overrun could have been avoided.

4.6 General

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT AND EDUCATION DEPARTMENTS

4.6.1 Lack of response to audit findings

Response to audit findings was not adequate in respect of two District Rural Development Agencies at Kheda (Nadiad), Mehsana and three District Education Officers at Godhra, Ahmedabad (City) and Ahmedabad (Rural)

Accountant General (Civil Audit), Rajkot conducts periodical inspection of 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 office inspected. Rule 14 of the Gujarat Financial Rules, 1971 provides 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 2007, pertaining to the District Rural Development Agency (DRDA), Kheda (Nadiad) and Mehsana, revealed that 232 paragraphs relating to 20 IRs remained outstanding at the end of June 2007. Year-wise position of outstanding IRs and paragraphs is detailed below:-

Year in which IRs were issued	District Rural Development Agency				Total	
	Kheda-(Nadiad)		Mehsana		IRs	Paras
	IRs	Paras	IRs	Paras		
Upto 2001-02	07	78	05	60	12	138
2002-03	01	12	--	--	01	12
2003-04	01	08	01	23	02	31
2004-05	01	12	02	26	03	38
2005-06	01	10	01	03	02	13
2006-07	--	--	--	--	--	--
Total	11	120	09	112	20	232

Similarly, a scrutiny of IRs issued upto March 2007, pertaining to the District Education Officer (DEO), Godhra, Ahmedabad (City) and Ahmedabad (Rural), revealed that 543 paragraphs relating to 24 IRs remained outstanding at the end of April 2007. Year-wise position of outstanding IRs and paragraphs is detailed below –

Year in which IRs were issued	DEO						TOTAL	
	Godhra		Ahmedabad (City)		Ahmedabad (Rural)		IRs	Paras
	IRs	Paras	IRs	Paras	IRs	Paras		
Upto 2002-03	06	75	07	212	04	111	17	398
2003-04	01	13	01	27	01	20	03	60
2004-05	01	28	01	23	01	15	03	66
2005-06	--	--	--	--	01	19	01	19
Total	08	116	09	262	07	165	24	543

Lack of remedial action resulted in non-settlement of these outstanding paragraphs.

The matter was reported to the Government (August 2007); reply had not been received (October 2007).

