Chapter - II

2 Review relating to Government company

Gujarat Water Resources Development Corporation Limited

Highlights

The Company was incorporated in May 1971, with the main objective of executing tubewells and lift irrigation schemes, by availing of funds from the Governments and Financial Institutions.

(*Paragraph* 2.1)

Under '500 Tubewell phase-I programme', the Company drilled 65 tubewells in eight districts which were not specified in the programme and 150 tubewells in over exploited zone on recommendations of the then Ministers and Members of Legislative Assembly.

(*Paragraph* 2.7.1.1)

The Company deviated from the guidelines prescribed by the State Government for implementation of '500 Tubewell phase-II programme'. Against 50 tubewells envisaged in Mehsana district, as many as 332 tubewells including 245 tubewells in overexploited zone were drilled mainly on the recommendations of the then Ministers and Members of Legislative Assembly.

(*Paragraph* 2.7.1.2)

Of the 170 tubewells drilled under 'Special component programme', which was for the benefit of Scheduled Caste farmers, only 11 tubewells met the criteria of number of beneficiary farmers belonging to Scheduled Caste.

(*Paragraph* 2.7.1.4)

The Company had diverted funds from one programme to another programme without authorisation from the State Government. The Company diverted Rs.33.23 crore to '500 Tubewell phase-II programme' from other programmes during 1997-2001.

(Paragraph 2.7.1.5)

Instead of handing over 30 tubewells drilled as a deposit work of the Capital Project Division, the Company engaged its operators for running them and incurred an avoidable expenditure of Rs.40 lakh on establishment cost.

(*Paragraph* 2.7.2)

Fixation of higher rates by the Company for excavation of soil in recharge work contracts resulted in avoidable expenditure of Rs.2.83 crore.

(*Paragraph* 2.7.3)

The Company had drawn excess subsidy of Rs.61.54 crore from the State Government during 1997-2001 through misstatement of facts.

(*Paragraph* 2.9.1)

The Company was required to take follow-up action with the State Government for revision of water rates. Lack of follow up action on the part of the Company resulted in potential loss of Rs.52.35 crore to the State exchequer during 1993-2001.

(*Paragraph* 2.9.3)

Despite directives of the State Government from time to time for easing out surplus employees of the Company, their continuance had resulted in avoidable expenditure of Rs.45.75 crore on pay and allowances.

(*Paragraph* 2.10)

2.1 Introduction

Gujarat Water Resources Development Corporation Limited (the Company) was incorporated on 3 May 1971, as a wholly owned Government company with the main objective of executing the programmes of drilling tubewells and of implementation of lift irrigation schemes by availing of funds from the Governments and Financial Institutions. The Company started functioning from August 1975.

2.2 Objectives

The main objectives of the Company are:

- to drill/dig new tubewells and manage them for irrigation and other purposes;

- to construct check dams, percolation tanks, *etc*.,

- to carry out and manage lift irrigation schemes and schemes for reservoirs, channels and canals;

- to manage tubewells transferred from the Government and Panchayats;

- to carry out research and investigation concerning ground water in all its facets *viz*., exploration, exploitation, development and protection independently or in co-ordination with other agencies; and

- to distribute water and recover cost of it at approved rates.

The Company has been engaged in the activities of investigation and identification of the ground water source areas, drilling, operation and maintenance of tubewells and execution of lift irrigation schemes. The Company executes recharge works entrusted by the State Government as well as deposit works from other agencies. Though there was excessive drawal of ground water resources in the State, neither the Company nor the State Government formed regulation for development, replenishment and management of ground water resources.

2.3 Organisational set up

The management of the Company is vested in the Board of Directors consisting of 14 directors (seven official and seven non-official) appointed by the State Government. The Managing Director is the Chief Executive of the Company and is assisted by two Superintending Engineers at Head Office and two Superintending Engineers at field offices, with 17 field offices[*]. During the preceding five years up to 31 March 2002, the State Government had appointed 17 Managing Directors, whose tenure ranged between ten and 536 days. Such frequent changes in the top official of the Company is likely to affect the smooth functioning of the Company.

2.4 Scope of Audit

The performance of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992 (Commercial)-Government of Gujarat. The review was considered (December 1994) by the Committee on Public Undertakings but no recommendations were made.

During the present review, the working of the Company with more emphasis on execution of tubewells programmes for the period 1997-2002 was reviewed during December 2001 to March 2002 and the important points noticed in the test check of records of seven[#] out of 17 field offices and Head Office are discussed in the succeeding paragraphs.

2.5 Source of funds

As against the authorised share capital of Rs.40 crore, the paid-up capital subscribed by the State Government as on 31 March 2001 was Rs.31.49 crore. The State Government provided funds aggregating Rs.261.76 crore during 1997- 2001 by way of grants and subsidy for implementation of various schemes.

2.5.1 Unspent grants

The Company had unspent grants of Rs.11.89 crore as on 31 March 2001 which were more than four years old. Instead of utilising the funds exclusively for execution of developmental works such as drilling of tubewells, lift irrigation schemes, *etc.*, the Company diverted unutilised funds for meeting

* Ahmedabad (4), Bhavnagar (1), Deesa (2), Gandhinagar (1), Mehsana (2), Nadiad (1), Palanpur (2), Rajkot (1) and Vadodara (3)

\# Ahmedabad (3), Mehsana (2) and Vadodara (2) other expenditure such as pay and allowances of employees, '500 Tubewell phase-I programme', *etc*., without seeking the approval of the State Government.

Grants shown utilised under Appropriation accounts were lying unspent in the Company's accounts.

The State Government did not prescribe any periodical returns for utilisation of funds to enable it to ascertain whether the funds were utilised for the works for which they were sanctioned. Though the grants received under a particular programme were shown as fully utilised in the Appropriation Account submitted to the Government by the Company for respective years; the annual accounts of the Company showed accumulation of unspent grants pertaining to previous years. The Company, however, could not produce the utilisation certificates in support of claim as regards utilisation of grants.

The Government stated (November 2002) that the Company had fully spent the grants received during 1999-2001, whereas the unspent grants of spillover works of 1998-99 were utilised during 1999-2000. The reply was not tenable as the Company had unspent grants of Rs.11.89 crore as on 31 March 2001, which pertained to the period prior to 1998-99. The Government had also not given any justification for utilising these unspent grants towards other expenses by the Company.

2.6 Financial position and working results

The summarised financial position of the Company for five years *i.e.* 1997-2002 is given in *Annexure-11*. The working results of the Company for the years 1997-2002 are given below:

(Rupees in crore)

Particulars	1997-98	1998-99	1999-00	2000-01	2001-02
A. Income					
(a) Water charges	4.12	5.13	6.09	5.23	3.62
(b) M & R subsidy	32.45	37.37	34.82	44.22	49.40
(c) Other income	1.84	3.61	4.71	3.49	3.89
Total	**38.41**	**46.11**	**45.62**	**52.94**	**56.91**
B. Expenditure					
(a) M & R of tubewells/lift irrigation schemes	24.75	32.21	30.32	28.19	25.28
(b) Administration and office expenses	12.88	13.21	12.17	22.08	30.34
(c) Depreciation	0.83	0.68	0.67	0.65	0.62
(d) Financial charges	0.42	-	-	-	-
Total	**38.88**	**46.10**	**43.16**	**50.92**	**56.24**
C. Profit/(-) loss for the year (A-B)	**(-) 0.47**	**0.01**	**2.46**	**2.02**	**0.67**

Though the Company earned meagre profit during 1998-99, 1999-2000 and 2000-01, the same is to be viewed in the light of excess drawal of Maintenance and Repairs (M&R) subsidy of Rs.14.92 crore, Rs.16.49 crore and Rs.23.64 crore during 1998-99, 1999-2000 and 2000-01, respectively, as discussed in paragraph 2.9.1 *infra*.

2.7 Implementation of schemes

2.7.1 Execution of tubewell programmes

The State Government formulates schemes/programmes and the Company undertakes the activities based on the State Government's directions for drilling tubewells in needy areas and for providing irrigation through development of ground water potential. On receipt of application from beneficiary farmers, the investigation is conducted and reports are submitted to the Managing Director and the Chairman of the Company/Minister.

The details of tubewells drilled, energised and commissioned during 1997-2001 are given below:

(Tubewells in number)

Year	Drilled	Successful	Civil works completed	Energised	Commissioned
1997-98	147	146	48	61	62
1998-99	448	438	191	361	337
1999-00	43	24	236	203	211
2000-01	05	04	54	20	20
Total	**643**	**612**	**529**	**645**	**630**

The table indicates that civil works (distribution channels) were not completed simultaneously with completion of energisation, so as to ensure optimum utilisation of the discharge capacity of the distribution channels. The delay was mainly due to defective planning and delay in appointment of agency for drilling/civil works of tubewells by the Company.

During the period up to 2000-01, the Company undertook drilling of tubewells under Government sponsored programmes. The details of the estimated cost, actual expenditure, schedule of completion of the programme, *etc.,* are given below:

Name of the programme	Estimated cost	Actual expenditure	Scheduled completion	Actual completion
	(Rupees in crore)		(Month and Year)	
500 Tubewell phase-I	15.65	9.77	March 1990	In progress
500 Tubewell phase-II	14.49	77.56*	June 1992	March 2001
104 Tubewell redrilling programme	4.87	8.46	Not fixed	March 2001
Special component programme	15.37	2.09	March 2000	March 2001

* Includes Rs 3.70 crore transferred from special component programme (refer paragraph 2.7.1.4 *infra*)

The Company did not maintain consolidated position showing the details of works executed, expenditure incurred against approved estimates, escalation of cost and other financial information *per* tubewell to ascertain progress of work in physical and financial terms with a view to exercise adequate financial and budgetary control on project expenditure.

Non fixation of capital cost resulted in short recovery of Rs.4.93 crore.

For getting the benefit of irrigation from the tubewell, the beneficiaries are required to deposit 15 *per cent* of capital cost of tubewells and to execute an agreement with the Company for their maintenance by forming a co-operative society. However, in the absence of capital cost *per* tubewell, the Company recovered capital contribution of 15 *per cent* on estimated cost basis, which was lower than the actual expenditure resulting in short recovery of Rs.4.93 crore.

2.7.1.1 500 Tubewell phase-I programme

The State Government directed (December 1989) the Company to take up the programme of construction of 500 tubewells in the State at an estimated cost of Rs.15.65 crore with a stipulation to complete the tubewells by March 1990. The work was to be taken up with the equipment and manpower available with the Company.

Audit scrutiny revealed the following:

- The project report envisaged drilling of 500 tubewells in the alluvial[@] area (190 tubewells), hard rock area (260 tubewells) and redrilling of closed tubewells (50 tubewells) spread over 16 districts of the State. Against this, the Company drilled (March 2001) 346 tubewells in alluvial areas, 84 tubewells in hard rock area and redrilled 19 tubewells, totalling to 449 tubewells. Thus 156 tubewells were drilled in excess in alluvial areas while 176 tubewells were drilled in short in hard rock areas. Reasons for deviation and non–achievement of targets as specified in the project report were not analysed by the Company.

- Out of 346 tubewells drilled in alluvial area, the Company drilled 95, 30 and 31 tubewells in Mehsana, Ahmedabad and Kheda districts against 30, 50 and 20 tubewells programmed in these districts, respectively. Further, 65 tubewells were drilled in eight districts which were not envisaged in the programme. The deviation made by the Company, on the recommendations of the then Ministers and Members of Legislative Assembly (MLAs), was not ratified by the State Government.

- Against redrilling of 50 closed tubewells in the State, the Company redrilled 54 tubewells and transferred 35 tubewells of Mehsana district (cost Rs.1.91 crore) to the programme of redrilling 104 tubewells in that district approved by the State Government separately. The inter programme transfer of tubewells defeated the objective of the programme.

150 tubewells were drilled in overexploited zone.

- The Company drilled 150 tubewells in overexploited[♠] zone defeating the objective of protection of ground water, which may lead to environmental threats.

@ The area formed through deposit left by floods

♠ Drawal of ground water is more than ground water recharge in particular area

2.7.1.2 500 Tubewell phase-II programme

In order to provide irrigation facilities to economically weaker sections and socially backward category farmers of the State by availing of surplus ground water, the State Government had approved (May 1991) a programme of drilling of 500 tubewells in the State at an estimated cost of Rs.14.49 crore. Out of 500 tubewells, 175 tubewells (Rs.11.97 crore) were to be drilled in alluvial area of eight districts[$] and the rest of 325 tubewells (Rs.2.52 crore) were to be drilled in the hard rock areas of 16 districts[#]. The estimated cost per tubewell in alluvial area as per the programme was inclusive of cost of drilling, energisation and civil works, whereas, in case of hard rock areas only drilling cost was included. In case of successful tubewell in hard rock areas, cost estimate for energisation and civil work were to be approved by the State Government, separately. The Company was expected to complete the programme by June 1992. The Company proposed (January 1997) modification in the original programme to the State Government by revising the allocation as drilling of 265 tubewells in alluvial area in 10 districts[@] and 235 tubewells in hard rock area of 16 districts[#] at a cost of Rs.22.96 crore.

Pending approval of the State Government to the modification proposed, the Company again revised allocation with the approval (June 1997) of the Board of Directors, as drilling of 275 tubewells in alluvial areas of 10 districts (Rs.19.33 crore) and 225 tubewells in hard rock areas of 16 districts of the State (Rs.5.34 crore), at a cost of Rs.24.67 crore. The Company did not approach the State Government for approval (April 2002) of the revision made.

Audit scrutiny revealed the following:

- The Company drilled 485 tubewells (including 23 redrilled tubewells) in alluvial areas of 11 districts and 15 tubewells in hard rock areas of five districts against allocation of 175 and 325 tubewells respectively in the original programme. Thus the implementation of the scheme was tilted in favour of alluvial area districts at the cost of hard rock area districts.

332 tubewells were drilled in Mehsana district against 50 tubewells in the programme, on the recommendations of Ministers and MLAs ignoring criteria fixed by the State Government.

- As against 50 tubewells envisaged in Mehsana district in the original programme, 332 tubewells were drilled. The drilling of excessive tubewells in Mehsana district was mainly on the recommendations of the then Ministers/MLAs ignoring the allocation made to other districts. The above included 245 tubewells in overexploited zone and 18 tubewells drilled in saline zone. Further, test check of the records in respect of the 70 tubewells drilled (cost Rs.10.34 crore) revealed that the Company ignored the eligibility criteria prescribed in the programme, as follows:

$ Ahmedabad, Banaskantha, Gandhinagar, Kheda, Kutch, Mehsana, Surendranagar and Vadodara

Amreli, Banaskantha, Bharuch, Bhavnagar, Jamnagar, Junagadh, Kheda, Kutch, Mehsana, Panchmahals, Rajkot, Sabarkantha, Surat, Surendranagar, Valsad and Vadodara

@ Ahmedabad, Banaskantha, Bharuch, Gandhinagar, Kheda, Kutch, Mehsana, Sabarkantha, Surendranagar and Vadodara

- drilling of 67 tubewells within a radial distance of 4,000 feet defeated the very purpose of protection of ground water,
- 20 tubewells were drilled where existing irrigation facility was more than 50 *per cent,*
- 18 tubewells were drilled in command area of existing tubewells; and
- 47 tubewells were drilled where the SC/ST, weaker section farmers were less than 25 *per cent*.

Increase in expenditure was mainly on account of cost overrun and excess drilling of tubewells in alluvial area.

- The Company received Rs.44.33 crore up to March 2001 against the estimated cost of Rs.14.49 crore, while the actual expenditure incurred was Rs.77.56 crore. The differential amount of Rs.33.23 crore was diverted from other programmes. The extra expenditure was mainly due to time and cost overrun (Rs.15.98 crore) and cost (Rs.43.37 crore) for energisation and civil works of 310 excess tubewells drilled in alluvial areas in place of hard rock areas.

- The programme envisaged drilling of one tubewell in one village against which the Company drilled two to seven tubewells in 96 villages resulting in drilling of 143 tubewells (cost Rs.21.12 crore) in contravention of the guidelines of the programme.

- The project report of the programme envisaged creation of an additional irrigation potential of about 8,950 hectares on completion of 500 tubewells. The Company, however, did not maintain records regarding details of irrigation potential actually created by the drilling of these 500 tubewells. Thus the actual achievement thereagainst could not be verified.

There was inordinate delay in completion of tubewells. Out of 500 tubewells, only 29 tubewells were completed within the prescribed time limit.

- The Company had fixed time limit of four and half months for completion of tubewells (December 1979). However, only 29 tubewells were completed and commissioned within the prescribed time limit. In respect of remaining tubewells, there were abnormal delays in completion at each stage *viz.* drilling, issue of harnessing order, lowering of pumps, energisation and completion of civil works due to lack of prompt action on the part of the Company, as detailed below:

Sl. No.	Activities	Number of tubewells	Delay in months
1.	Drilling of tubewells	Information not furnished	--
2.	Issue of harnessing order	369	One to 129 months
3.	Lowering of pumps	13	Seven to 39 months
4.	Completion of civil works	130	Three to 67 months
5.	Energisation	63	Three to 20 months

Up to December 2001, 43 tubewells were pending completion of civil works, 44 tubewells were pending for energisation and 6 tubewells were pending for both civil work as well as energisation since March 1993. Due to delay in completion of the tubewells, potential irrigation facility could not be achieved.

The Government stated (November 2002) that the guidelines given to the Company were changed from time-to-time, keeping in view the prevailing conditions. However, the documents showing the changes made in guidelines issued, were not produced to audit for verification.

2.7.1.3 Redrilling of 104 tubewells in Mehsana district

With a view to providing assured irrigation facility to farmers, meeting drinking water requirements and growing fodder during drought period, the Company in April 1991 submitted a proposal to the State Government seeking approval for redrilling of 160 tubewells identified as sick in Mehsana district, on priority basis. The State Government accorded approval (August 1991) for redrilling of 104 tubewells which became sick due to (i) jamming of pumps or rupture of pipes (74 tubewells), (ii) quality of ground water turned highly saline (9 tubewells) and (iii) reduction in discharge to 10,000 gallons per hour or below (21 tubewells) at total estimated cost of Rs.4.87 crore. These tubewells were redrilled during the period from March 1990[*] to March 2001.

Out of 104 tubewells, only nine tubewells were redrilled at sites approved by the State Government.

It was observed in audit that against the sanction of redrilling of 104 tubewells, only nine tubewells were redrilled on the sites approved by the State Government by incurring an expenditure of Rs.0.76 crore. The remaining 95 redrilled tubewells on which an expenditure of Rs.7.70 crore was incurred were outside the purview of the programme, resulting in diversion of funds. Reasons for such diversion were not available on records.

The Government stated (November 2002) that with the initiation of policy of participation by beneficiary farmers, the Mehsana district panchayat recommended for change of site to the places other than already approved as the farmers of these changed sites were willing to form cooperative society and deposit 15 *per cent* contribution for the redrilling work. The Government added that 35 tubewells drilled under other schemes were transferred to this scheme, with the permission of Board of Directors, as these were under Mehsana panchayat only. The reply was not tenable as the sites were initially selected by the Government from the list submitted by the Company, hence, deviation from the same required Government's approval.

2.7.1.4 Special component programme

Out of 170 tubewells drilled under the programme, only 11 tubewells were as per the norms fixed.

The State Government decided (April 1997) to extend the benefit of minor irrigation through drilling of tubewells in such areas where the beneficiaries belonging to Scheduled Castes (SC) were more than 50 *per cent*. Under the scheme, the Company sent (January 1998) proposal for taking up drilling of 150 tubewells at an estimated cost of Rs.15.37 crore which was approved (April 1998) by the Government. During 1997-2001, the Company received grants of Rs 9.30 crore and drilled 170 tubewells under the scheme without ascertaining the percentage of SC beneficiaries.

[*] Against the approval of programme in August 1991, the period considered from March 1990 as the Company had transferred 35 redrilled tubewells from '500 Tubewell phase-I programme' (refer paragraph 2.7.1.1) to this programme.

Subsequently, the State Government and the Welfare Committee on Scheduled Castes directed (January and July 1999 respectively) the Company to charge the programme with proportionate expenditure only on tubewell based on beneficiaries belonging to SC in the area. Audit scrutiny revealed that only 11 out of 170 tubewells drilled were within the above said norms of the programme, hence, based on the directives, the Company debited full cost of 11 tubewells and proportionate cost of 72[@] tubewells amounting to Rs.2.09 crore to the scheme. The balance cost on 72 tubewells amounting to Rs.3.70 crore was transferred to '500 Tubewell phase-II programme' without approval of the Government. In respect of 87 tubewells, as the number of beneficiary SC farmers were less than four, the cost of Rs.12.85 crore was transferred by the Company unauthorisedly to '500 Tubewell phase-I programme' (45 tubewells) and '500 Tubewell phase-II programme' (42 tubewells).

The Government stated (November 2002) that the request of the Company for transfer of expenditure to 500 Tubewell programmes or to provide additional grant was under consideration of the State Government. However, the fact remains that the Company's proposal of January 1998 was submitted without identifying the areas covered by SC beneficiaries so as to implement the scheme successfully. Also, the Company had already transferred the expenditure incurred to other schemes, before obtaining the approval from the Government.

2.7.1.5 Diversion of funds

Company deviated in the drilling of tubewells from the planned programme and diverted the funds.

For payment of pay and allowances of excess staff (refer paragraph 2.10 *infra*) the Company had to divert the funds received under various schemes without approval of the State Government. In order to ascertain the quantum of such diversions, the Company appointed a firm of Chartered Accountants. The firm reported (June 1999) diversion of funds worth Rs.100.31 crore during the period from 1987-97, which included Rs.37.48 crore utilised towards pay and allowances of the employees. It was observed in audit that during 1997-2001, the Company continued the practice of diversion of funds and inter-programme transfer of tubewells, as indicated below:

[@] The cost of drilling of 72 tubewells had been apportioned on *pro rata* basis in proportion of number of SC beneficiaries to total number of beneficiaries in the area.

Sl. No.	Particulars	Programme				
		500 tubewell phase-I	**500 tubewell phase-II**	**Redrilling of 104 tubewells**	**150 tubewells under special component**	**Total**
		(In numbers)				
1.	Tubewells drilled under the programme	354	543	70	170	1,137
2.	Net adjustment of tubewells due to transfer from/(-) to other programmes	95	(-) 43	35	(-) 87	--
3.	Tubewells under the programme after adjustments	449	500	105	83	1,137
	(Rupees in crore)					
4.	Funds received from the State Government	16.61	44.33	9.92	9.30	80.16
5.	Actual expenditure	9.77	77.56	8.46	2.09	97.88
6.	Short(-)/excess receipt of funds	6.84	(-) 33.23	1.46	7.21	(-) 17.72

Funds of Rs.33.23 crore were diverted.

Excess expenditure of Rs.33.23 crore on '500 Tubewell phase-II programme' was made good from surplus funds available under the other three programmes (Rs.15.51 crore) and by diversion of funds (Rs.17.72 crore) from other schemes.

2.7.2 Deposit work

Avoidable expenditure of Rs.40 lakh was incurred, on running the tubewells.

With a view to maintaining drinking water facility in Gandhinagar city, the State Government directed (August 1999) the Company to drill 30 tubewells as deposit work. The Company completed (November 1999) the work and incurred an expenditure of Rs.2.39 crore against Rs.2.30 crore received for deposit work. The expenditure of Rs.9.26 lakh was not reimbursed by the Capital Project Division No.3, Gandhinagar. Instead of handing over the possession of these tubewells on completion (November 1999) to the division, the Company engaged its operators for running the tubewells and incurred an avoidable expenditure of Rs.40 lakh towards establishment costs (March 2000). The division refused to reimburse the amount. However, the Company did not approach the State Government for reimbursement of Rs.49.26 lakh.

The Government stated (November 2002) that the Company had regularly taken up the matter with Capital Project Division for effecting recovery. However, reasons for not taking up the matter with the State Government even after refusal by the Division to reimburse the amount were not furnished.

2.7.3 Recharge work

a) The State Government entrusted (December 1998) recharge work of ponds in six districts* of the State to the Company. The Company invited (April 1999) open tenders for deepening of ponds and removal of excavated soil to a distance ranging between 200 and 500 metres. The lowest offer received for execution of work ranged between Rs.9 and Rs.14 *per* cubic metre (cmt) for the distance from 200 to 500 meters. The lowest tenderer, however, did not turn up for executing the agreement (June 1999). The Company re-invited (September 1999) the tenders, in which rates received were very high. Hence, the Company prepared new Schedule of Rates (SOR) in November 1999 for excavation in ponds and disposal of excavated soil to a distance of 200 metres, 400 metres and 1,000 metres at Rs.26.35, Rs.29.47 and Rs.35.63 *per* cmt respectively. The Company awarded the work of deepening of 148 ponds to contractors and Non-Government Organisations (NGOs) at a total cost of Rs.9 crore up to March 2001.

An analysis in audit revealed that the rates fixed by the Company in November 1999 were on higher side in view of the following:

- The Company prepared (September 1999) a SOR for excavation in pond and removal of soil at Rs.25.90 *per* cmt considering the rate of bulldozer/other excavator at Rs.500 *per* hour and removal of 45 cmt excavated soil *per* hour. The new SOR (November 1999) was prepared on the basis of the rates fixed for deepening of ponds by Gujarat State Land Development Corporation Limited (GSLDC), which was also engaged in the similar type of activity in the State.

  While GSLDC fixed excavation *per* hour at 45 cmt quantity, the Company considered excavation at 37.5 cmt *per* hour only. GSLDC was executing the works up to December 2001 at the rate of Rs.500 *per* hour for Jumbo Carrier Bucket (JCB) whereas the Company fixed Rs.560 *per* hour for JCB.

- Subsequently, for the recharge work in Banaskantha district, the Company prepared (March 2002) estimates considering *per* cmt rate of Rs.21.25 for removal of 40 cmt *per* hour by engaging excavator on hire at the rate of Rs.500 *per* hour.

- The *per* cmt rates approved (March 2001) by the State Government for (i) excavation within ponds and loading of earth into tractor and (ii) excavation within ponds and transporting the same up to 1 kilometre (including spreading) were Rs.12 and Rs.22 respectively.

Fixation of higher rates for recharge work resulted in excess expenditure of Rs.2.83 crore.

- The Company also placed orders on six NGOs for deepening of 27 ponds at rates below 20 *per cent* of the SOR (November 1999), which indicated that the SOR fixed by the Company were on higher side.

* Ahmedabad, Banaskantha, Gandhinagar, Mehsana, Patan and Surendranagar

The fixation of higher rate resulted in avoidable extra expenditure of Rs.2.83 crore.

b) The State Government followed a policy of inviting participation of farmer's co-operatives in transportation of excavated soil under irrigation projects so that burden on the State exchequer could be reduced. Accordingly, GSLDC had undertaken deepening work of ponds and shifted the responsibility of transportation of excavated soil to the beneficiary villagers. The Company, instead of shifting the responsibility of transportation of excavated stuff to the villagers, entrusted the work to the contractors and incurred an avoidable expenditure of Rs.2.43 crore on this account.

2.8 Evaluation of programmes

Monitoring mechanism was not evolved to watch the execution and performance of the schemes undertaken.

The Company did not evolve a system for periodical evaluation of programmes for analysing the bottlenecks, if any, experienced during the execution of the programme for suggesting mid course corrections. The Company also did not conduct evaluation after completion of projects/scheme to ascertain whether the achievement confirmed to the targets/objectives set and were commensurate with the expenditure.

2.9 Financial management

2.9.1 Excess drawal of Maintenance and Repairs subsidy

The activities ancillary to the creation and management of feasible irrigation through ground water were transferred by the State Government to the Company in 1978. The Company was providing water for irrigation to the farmers at subsidised rates fixed by the State Government though the prevalent economic rate was always higher and the actual loss sustained by the Company on this account was reimbursed by the State Government by way of subsidy for maintenance and repairs (M & R) of tubewells on *ad hoc* basis.

The committees, constituted by the State Government (September 1988 and May 1998) for fixing specific norms to arrive at the subsidy admissible to the Company, recommended (February 1999) M&R subsidy of Rs.1.60 lakh *per* tubewell in operation subject to minimum utilisation of 1,400 hours *per* year *per* tubewell with effect from the base year 1997-98. An analysis in audit revealed that due to misstatement of facts by the Company as discussed hereunder, the subsidy rate was fixed on higher side:

- The pay scales intimated by the Company to the Committee in respect of staff engaged in tubewell operation for fixation of M&R subsidy were higher than the actual sanctioned scale. This had resulted in fixation of M&R subsidy by the State Government at higher level and excess drawal of subsidy by the Company, which ranged between Rs.21,000 and Rs.22,176 *per* tubewell *per annum*. The Company had made excess drawal of subsidy of Rs.28.10 crore during 1997-2001 on this account.

Inclusion of tubewells transferred to co-operative societies resulted in excess drawal of M& R subsidy.

- The main objective behind handing over tubewells to farmers/ co-operative societies for operation was to reduce the burden of M&R subsidy on the State Government. However, the Company submitted irregular claims for M&R subsidy in respect of tubewells handed over to the farmers/co-operative societies for operation and maintenance. Besides, though the Company was entitled to drawal of subsidy on dormant tubewells in respect of establishment and energy charges only, it had claimed subsidy on all elements of cost. This has resulted in excess drawal of subsidy amounting to Rs.30.47 crore during 1997-2001.

Company drew excess subsidy of Rs.61.54 crore in four years.

- Operation and maintenance cost of lift irrigation schemes amounting to Rs.2.97 crore was also included unauthorisedly in subsidy claimed from the State Government.

The above resulted in excess drawal of subsidy aggregating to Rs.61.54 crore from the State Government during 1997-2001.

The Government stated (November 2002) that, while claiming the subsidy the Company had considered the salary of surplus staff due to handing over of tubewells to cooperative societies/farmers. The reply is not tenable as the M&R subsidy should be based on the actual expenditure incurred by the Company on maintenance and repairs of tubewells. Inclusion of expenditure on surplus staff required justification as the tubewells were handed over to cooperative societies/farmers so as to reduce the expenditure of the Company.

2.9.2 Recovery of water charges

The recovery from the sale of water constitutes major source of income of the Company. The rates of water supplied from the tubewells of the Company were fixed by the State Government. The Company was raising demand for water charges after working out the actual water drawn by the farmers. The details of year-wise demand raised, target fixed for recovery and actual recovery effected during 1997-2001 are tabulated as follows:

(Rupees in crore)

Particulars	1997-98	1998-99	1999-00	2000-01
Opening balance	10.68	7.76	6.84	5.95
Demand for the year	4.12	5.13	6.09	5.23
Total amount due for recovery	14.80	12.89	12.93	11.18
Actual recovery during the year	7.04	6.05	6.98	5.79
Closing balance of recoverable amount	7.76	6.84	5.95	5.39
Percentage of recovery to total dues for recovery	47.57	46.94	53.98	51.79
Targets for recovery	Not fixed	9.00	7.08	6.60

The Company had not analysed age-wise/division-wise break-up of the outstanding dues, which was necessary to control old outstanding dues.

Further analysis of the outstanding dues revealed that:

- The Company did not have a plan for recovery of dues from farmers in respect of closed tubewells, as a result, Rs.2.05 crore could not be recovered from 1,159 farmers (31 December 2001).

- The Company was handing over the tubewells to the co-operative societies under written agreement, which *interalia*, required the co-operative society to recover old outstanding dues from the beneficiary farmers. Total outstanding dues from 1,323 such farmers/co-operative societies as on 31 December 2001 were Rs.2.12 crore.

- Although pointed out in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992 (Commercial) Government of Gujarat *vide* paragraph 2A.7.3, the Company had not taken action for reconciliation of outstanding dues between general ledger of Head Office and subsidiary ledgers of division offices.

2.9.3 Fixation of water rate

The Committee constituted (September 1988) by the State Government recommended (February 1991) from time to time, revision of rates of water provided to farmers through tubewells in consultation with the State Government. The State Government had accepted (July 1992) the recommendation. The Company submitted (July 1993) proposal for revision of water rate from Rs.1.80 *per* 10,000 litres of water supplied through tubewells which was fixed by the State Government in November 1985 to Rs.4.50 *per* 10,000 litres in view of hike in cost of repairs and maintenance of tubewells. However, the Company did not take adequate follow up action with the State Government for revision of rate. The State Government revised the water rates to Rs.3 *per* 10,000 litres belatedly in October 1998, which resulted in loss to the State exchequer amounting to Rs.52.35 crore during the period 1993-2001.

2.10 Surplus manpower

A Comprehensive Study Committee (CSC) was constituted (November 1993) by the State Government to suggest measures to improve the working of the Company and to decide on an ideal size of establishment keeping in view the activities of the Company. The CSC recommended (May 1995) an initial reduction of 25 *per cent* in the existing staff and to decide the quantum of surplus staff in consultation with the State Government, thereafter.

(a) The State Government directed the Company (November 1997) to introduce Voluntary Retirement Scheme (VRS) and fixed (September 1998) a target for reduction of 20 *per cent* of the existing staff. The State Government further instructed the Company (April 1999) that the surplus staff not opting for VRS should be removed through proper rules. The Company introduced the VRS in July 1998, which was extended up to September 2001. Out of 5,496 employees, 1,011 employees (18 *per cent*) retired under the scheme.

(b) The Committee also recommended closure of four divisions against which the Company closed three divisions during September 1996 and October 1998. Of three closed divisions, out of 96 employees declared as surplus, 53 employees opted VRS and remaining 43 employees were continuing on the rolls. The Company incurred an avoidable expenditure of Rupees one crore towards pay and allowances of these 43 employees during 1998-2002.

(c) An analysis of manpower requirement was made in audit, based on the norms fixed by the Committee constituted for recommending the M&R subsidy. The analysis revealed that, considering the number of running tubewells with the Company, 506 to 780 employees in the category of operator, wireman, bit karkoon and helper were surplus, which had resulted in avoidable expenditure of Rs.17.07 crore towards their pay and allowances during 1998-2002.

(d) The Company had not terminated the services of its 1114 daily wage (Rojmadar) employees as per the direction (November 1997) of State Government. Consequently, the Company had to incur an avoidable expenditure of Rs.27.68 crore on pay and allowances of these employees during 1998-2002.

The above resulted in avoidable expenditure of Rs 45.75 crore due to lack of action on the part of the Company.

Conclusion

The Company, engaged in the activities ancillary to the utilisation of surplus ground water since August 1975, deviated from the district-wise scheduled programme for drilling of tubewells and concentrated on a particular region, resulting in over exploitation of ground water in certain areas. The recommendations of the Comprehensive Study Committee and directions of the State Government to curtail the staff strength and reduce establishment expenditure had not been implemented to the desired extent.

To improve the performance and to reduce the burden on the State exchequer, the Company ought to bring down the establishment expenditure by transfer/sale of tubewells to the beneficiaries and by reassessing and rationalising the manpower requirement. The Company should limit the exploitation of ground water to the required level through formation of rules in consultation with the State Government. The Company should also concentrate on replenishment of ground water aquifers through proper methods so as to check serious environmental threat of excess ground water drawal.