

CHAPTER IV

AUDIT OF TRANSACTION

4.1 Fraudulent drawal/Mis-appropriation / Embezzlement/Losses

PORTS AND FISHERIES DEPARTMENT

4.1.1 Loss of Government Money

Keeping government funds in a financially weak bank resulted in a loss of Rs. 3.54 crore

The Commissioner of Fisheries (Commissioner) released Rs.8.28 crore between 1996-97 to 1998-99 to 21 Fisheries Co-operative Societies of Veraval under the scheme of financial assistance for construction of fishing boats, fish farms etc. sponsored through National Co-operative Development Corporation (NCDC). The amount of assistance was deposited in Veraval Ratnakar Co-operative Bank Limited (bank) in saving bank account in the joint names of Assistant Director of Fisheries (Assistant Director) and respective co-operative societies. Of this, Rs. 6.46 crore was withdrawn up to December 1998 by the societies leaving a balance of Rs. 2.36 crore including interest earned. The cheques presented in the month of December 1998 (Rs.12.25 lakh) were dishonored by the bank due to its weak financial position. In addition Rs.1.18 crore[@] pertaining to government assistance to 6 co-operative societies and Veraval Nagarpalika remained with the bank. The banking license of the bank was cancelled in January 2000 by the Reserve Bank of India (RBI) and the bank went into liquidation (April 2000).

Records of the Assistant Director of fisheries, Veraval revealed (May 2002) that

- the financial position of the bank was weak right from 1983 and it was placed under rehabilitation with reference to its financial position of December 1986. The bank had failed to show any improvement in its working thereafter.
- As per inspection carried out by RBI in December 1987, the erosion in the value of bank's assets was of Rs.3.79 crore and it had not only eroded the entire share capital and reserves, but also affected part of its deposits.
- In spite of the weak financial position, the amount of assistance given by commissioner was deposited (1996-98) in Co-operative Bank account .
- Incidentally, looking to the deteriorating financial position of the bank, the Commissioner had issued (June 1998) direction for withdrawal of

[@] Jafrabad : One - Rs.15.72 lakh, Porbandar : four - Rs.84.95 lakh, Veraval : one - Rs.7.73 lakh and Veraval Nagarpalika - Rs.10 lakh

the fund from the bank and to transfer the same to local branch of State Bank of India or to district co-operative bank.

- Assistant Director however, continued to maintain account with the bank ignoring specific direction of Commissioner, which ultimately resulted in loss of Rs.3.54 crore as the bank went under liquidation (April 2000).
- Commissioner too did not initiate any action against Assistant Director for retention of funds in the bank despite specific instructions.

Thus, parking of huge funds in a known financially unsound bank disregarding instructions of the Commissioner by the Assistant Director resulted in a loss of Rs.3.54 crore.

The matter was reported to Government in February 2003. Government admitted the facts but stated (October 2003) that as the amount was deposited in joint accounts with the societies, it required consent from them, but not a single society was prepared to divert the amount from the bank and that action against the concerned officers was initiated and the result thereon would be intimated in due course. The funds should not have been kept *ab initio* in such financially weak bank and even if it was deposited, it should have been transferred immediately after the receipt of first signals of the bankruptcy of the bank. Thus, the Commissioner had not taken effective action to persuade/force the societies to withdraw the amount to safeguard the interest of Government, which ultimately led to loss of Rs.3.54 crore.

ROADS AND BUILDINGS DEPARTMENT

4.1.2 Loss of Rs.1.16 crore

Delay in disposal of material resulted in loss of Rs.1.16 crore

The Executive Engineer (EE), Expressway Division No.1, Ahmedabad terminated (1994) the contract for the work of Ahmedabad- Vadodara Expressway between Km 0/0 and 59/0 because of slow progress in execution of the work by the contractor. The material at site, 1.35 lakh cum stone metals (Rs.1.27 crore), 2832.50 RM RCC Pipes (Rs.0.18 crore) and 4632 RM PVC Pipes (Rs.0.05 crore) of aggregate cost of Rs.1.50 crore was taken over (December 1994) by the division. The division did not use the materials on its works till September 1998, when the site/balance work was handed over to National Highway Authority of India (NHAI). Based on the report of the NHAI (August 2000) that the quality of the material which was lying for the last seven years has deteriorated and was unfit for use and recommendation for its disposal, the State Government issued orders for its disposal on "as is where is" basis (September 2000).

The Division fixed (August 2001) the upset price at Rs.0.52 crore. However, auction was conducted between October 2001 and February 2003, and an amount of Rs.0.34 crore only was realised resulting in a loss of Rs.1.16 crore.

The EE stated (January 2003) that as it was decided to issue the material to the new agency, the division had not taken any action to remove the material at site and that after fixation of upset prices, auction was carried out and materials sold to the highest bidder.

The reply was not tenable as division did not shift or sell the materials at site between 1994 and 1998. Even after handing over the site to NHAI in September 1998, division had not taken any action for its disposal. Further, the materials at site worth Rs.1.50 crore included the stone metal materials of various size amounting to Rs.1.27 crore. As the stone metal material was not so susceptible to deterioration by passage of time, the contention of the division regarding the deterioration in quality required thorough investigation.

The matter was reported to the Government in February 2003; reply has not been received (December 2003).

4.2 Infructuous/Wasteful expenditure and overpayment

ROADS AND BUILDINGS DEPARTMENT

4.2.1 Infructuous expenditure of Rs.65.14 lakh

Execution of item of work not approved by MORTH resulted in infructuous expenditure of Rs.65.14 lakh

Government accorded (September 1998) administrative approval of Rs.118.49 crore for “Phase-1 of widening to four lanes of Ahmedabad-Rajkot National Highway No.8-A.”

The work on the National Highway (NH) between km 61/4 and 72/4 on Ahmedabad-Bhayala-Bagodara section was allotted (March 1999) to a contractor at his tendered cost of Rs.13.30 crore (estimated cost Rs.14.29 crore) by the Executive Engineer (EE), NH Division, Ahmedabad for completion by March 2001. It was actually completed in September 2001 at a total cost of Rs.15.45 crore.

According to NH Rules 1957, if the estimated cost of any original work on NH exceeds Rs.10.00 lakh, the detailed estimates are to be sent to the Ministry of Road Transport and Highways (MORTH) for according technical approval and financial sanction. No original work on NH is to be undertaken until these are accorded by the Central Government.

Audit scrutiny revealed (February 2002) that the State Government sent the technical proposal to MORTH in April 1998 and before the receipt of approval (February 1999), accorded technical sanction and finalised Draft Tender Papers (DTP) in October 1998. This was contrary to the NH Rules 1957. While according technical approval the MORTH specifically deleted the item of work of 70 MM Bituminous Macadam (BM) from the estimates. However, the work was got executed including the deleted item of work viz.70 MM BM (Rs.65.14 lakh) through the contractor.

The EE stated (February 2002 and April 2002) that the work was executed on the basis of revised estimates sanctioned (October 1999) by Government prepared on the basis of technical approval of MORTH and which contained the 70 MM BM. He also stated that execution of 70 MM BM was technically required.

The reply of the EE was not acceptable as even after the deletion of 70 MM BM by MORTH in February 1999, it was not deleted from the work allotted to the contractor (March 1999). Instead it was included in the revised TS accorded (October 1999) by the State Government *suo-motto* without prior approval of MORTH. This led to infructuous expenditure of Rs.65.14 lakh. Further, Government's action to finalise DTP before receiving technical approval from MORTH was not justifiable.

The matter was reported to the Government in January 2003, reply has not been received (December 2003).

4.2.2 Wasteful expenditure of Rs.32.56 lakh

As a road was not allowed to pass through a reserved forest the expenditure of Rs.32.56 lakh incurred on it proved wasteful

With a view to shorten the distance between village Palaswa (Kachchh district) and Tikar (Surendranagar district) and also to provide transportation facilities from Halvad, Dhrangadhra, Morbi and Malia to Rapar through a short route, the Executive Engineer, Roads and Buildings Division (Division), Bhuj proposed (January 1997) to take up the construction of a new road from Palaswa to Tikar from Km 30/0 to Km 42/150. According to Gujarat Public Works Manual (para 159) before taking up the work of construction of a new road, a detailed survey must be carried out to have a clear site for taking up the work. The estimates were technically sanctioned (January 1997) by Government for Rs.1.04 crore. Out of which Rs.94.19 lakh was for contract work. The work was allotted (March 1997) to a contractor for completion by March 1998.

Audit scrutiny of records of Division revealed (January 2003) that the alignment of the road was passing through small Rann of Kachchh, the reserved forest area. However, necessary permission for acquisition of required land was not obtained from the Forest Department before entrusting the work. Forest Department instructed (March 1998) the Division to stop any further work within the reserved forest area. The contractor stopped (June 1998) the work* after executing the work worth Rs.32.56 lakh.

In September 2000, the contractor was relieved of execution of the work. Thus, execution of work without acquiring Forest land resulted in wasteful expenditure of Rs.32.56 lakh, besides the denial of intended benefit to the public.

* Payment made in August 1998.

The Executive Engineer (EE) stated (January 2003) that the survey number of the road alignment passing through the village Palasawa was not included in the Gazette Notification of January 1973 of Agriculture, Forest and Co-operation Department and as it did not pass through the Wild Life Sanctuary no permission was needed and also the fact of passing through the Sanctuary was told only when the execution of work was in progress (March 1998). However, the Superintendent of Wild Ass Sanctuary, Dhrangadhra stated (July 1999) that in the gazette the area of Small Rann of Kachchh and waste land adjoining the villages including village Palaswa were declared as the area coming under Wild Ass Sanctuary though the survey number and area was not shown therein.

Thus, taking up the work without proper survey and non-co-ordination between the departments resulted in wasteful expenditure of Rs.32.56 lakh. The EE also accepted (January 2003) audit contention that there was every possibility of damage and deterioration of the work done due to passage of time, but no responsibility for the same was fixed.

Matter was referred to Government (May 2003) reply was awaited (December 2003).

4.3 Violation of Contractual obligation / Undue favour to contractors

INDUSTRIES AND MINES DEPARTMENT

4.3.1 Loss of Rs.201 crore

Non-issue of orders for recovery of deferred electricity charges from power loom operators resulted in non-recovery of Rs.201 crore and loss of interest of Rs.32.89 crore

In view of agitation of power loom owners of Surat and surrounding areas against the high tariff since August 2000, Government decided (August 2000) to defer payment of 30 *per cent* of total electricity bill by power loom owners as an interim relief to the power loom sector. Consequently, the power companies in the State suffered heavy losses. On the basis of representation from them for compensating the losses, Government paid, between March 2001 and March 2002, Rs.201 crore to three power companies (Ahmedabad Electricity Company Rs.7.54 crore, Gujarat Electricity Board Rs.91.47 crore and Surat Electricity Company Rs.101.89 crore) as compensation. The relief to power loom sector was to be revised after receipt of the recommendations of the Gujarat Electricity Regulatory Commission (GERC).

Records of the Industries Commissioner revealed (April 2002) that GERC had fixed revised tariff from December 2001. However, Government did not issue any order for recovery of amount so deferred from power loom operators. This resulted in unintended financial benefit to the power loom sector, at the cost of heavy financial burden to State exchequer and resulted in non-recovery of Rs.201 crore besides a loss of interest of Rs.32.89[▼] crore upto 31 December 2003.

The matter was reported to Government in April 2003, the reply has not been received (December 2003).

[▼] At the borrowing rate of Government

**NARMADA, WATER RESOURCES AND WATER SUPPLY
DEPARTMENT**

4.3.2 Undue favour to a private party

Injudicious payment of interest free advance led to loss of Rs 6.97 crore and undue favour to a private party

As a part of its Cement manufacturing project, Sanghi Industries Ltd. (SIL) decided to set-up a Captive Water Desalination plant (WDP) in Kachchh district. For installation and commissioning of the plant, SIL requested (December 1999) the Government for an advance payment of Rs.15 crore against supply of 2 Million litres of Water per Day (MLD) to Gujarat Water Supply and Sewerage Board (GWSSB) at the rate of Rs.30 per 1000 liters (1M³). Government while accepting the offer decided (November 2000) to grant interest free advance (IFA) adjustable against quantity of water supplied to GWSSB subject to terms and conditions as decided between SIL and GWSSB. The payment of advance was made in March 2001.

Scrutiny of records of Government and GWSSB revealed (August 2002) that:

- Against payment of IFA, SIL had offered (December 1999) a corporate guarantee of Rs.15 crore and Fixed Deposit Receipt (FDR) having maturity value of Rs.15 crore after 15 years. Finance Department (FD) while rejecting the offer observed (October 2000) that the proposal was not sound considering interest of Rs.24.90 lakh per month on the advance at the prevailing rate of 15 *per cent* against water charges of Rs.15 lakh payable in a month for 60 MLD.
- FD, therefore, proposed for arrangement of loan from Gujarat Industrial Investment Corporation at the prevailing rate of interest, with monthly repayment of loan by GWSSB against purchase of water and balance by SIL.
- This proposal though based on sound financial principles, was turned down (November 2000) by the then minister in charge of Kachchh district who expressed displeasure on evaluation of SIL's proposal on commercial angle. The Chief Minister, therefore, directed (November 2000) for payment of IFA.
- Before payment of IFA, an agreement was executed between SIL and GWSSB in February 2001 in which no condition safeguarding Government interest was incorporated either for guarantee or for pledging the property of SIL/Guarantor till FDR was furnished. As a result, SIL did not furnish FDR as of October 2003.
- The advance was released in March 2001 by operating Contingency Fund in contravention of Rule 2(i) of Gujarat Contingency Fund Rules 1960.

- The agreement also provided for recovery by GWSSB of Rs.15 crore with interest at the rate of 18 *per cent* in the event of SIL's failure in tendering the FDR within one month of the payment of advance. Despite several notices, SIL did not tender FDR. However, no action to recover Rs.15 crore and interest of Rs 6.97 crore was initiated till September 2003.
- As against providing 2 MLD water within four months (2 July 2001) from the date of payment of advance, the actual water supply was commenced on 14 May 2002 and as such delayed by ten months. Further, as against assured supply of 60/62 ML water during the month, the actual supply of water between May 2002 and December 2002 ranged between 8.7 ML and 26.3 ML leading to less receipt of 355 ML water.

Thus, payment of IFA of Rs.15 crore to SIL without taking adequate safeguard and fixation of rate of water without proper financial evaluation, resulted in undue favour to a private party. The company did neither supply assured quantity of water nor furnished FDR and also did not pay interest of Rs 6.97 crore for the failure. The entire case requires a thorough inquiry so as to prevent recurrence of such cases in future.

Government while justifying the payment of IFA stated (June 2003) that as against the production cost of desalinated water at Rs.44 per M³ the water was purchased at Rs.30 per M³ and that the cost of water was kept constant for 10 years despite probable inflation in the future. This was not acceptable as SIL was to supply only the surplus water not required by it immediately for captive consumption in the cement plant. Further, no evaluation of SIL's offer of supply of water at Rs.30 per M³ was done with reference to interest element of advance and the IFA was given against the objection of Finance Department which in fact led to annual loss of Rs.2.70[♦] crore towards interest on IFA of Rs.15 crore, apart from loss of interest of Rs.6.97 crore due to non-tendering of FDR.

4.4 Avoidable/Excess/Unfruitful expenditure

NARMADA, WATER RESOURCES AND WATER SUPPLY DEPARTMENT

4.4.1 Unfruitful expenditure on incomplete work

Expenditure of Rs.176.16 crore on twelve irrigation projects proved unfruitful due to non-synchronisation of works

Canal works not taken up after completion of headworks

With a view to provide irrigation facility in Culturable Command Area (CCA) of 17423 Hectare (Ha), Government accorded (October 1994 to January 1998)

[♦] at the rate of 18 *per cent* as suggested by Finance Department

administrative approval of Rs.204.90 crore for the construction of eight* Irrigation Projects. Overall technical sanction for headworks i.e. construction of earthen dam, masonry dam, spillway, spillway bridge, head regulator etc. was issued (January 1995 to July 1999) for Rs.111.22 crore. The works, which commenced between September 1996 and April 1999, were completed at total cost of Rs.130.27 crore between July 1997 and July 2000.

Scrutiny of records (January/March 2003) of Irrigation Project Divisions Amreli, Bhavnagar and Rajkot revealed that the land acquisition process for the canal works was not initiated simultaneously with construction of headworks leading to non-availability of land for canal construction even after a lapse of three to five years since completion of the headworks. Resultantly, the canal works had not commenced (June 2003) as the required land was not acquired. Even the command area for providing irrigation facility in respect of three projects (Demi III, Dondi and Survo) had not yet been finalised (May 2003) though headworks* were completed.

National Bank of Agriculture and Rural Development (NABARD) had provided (April 1996 to March 2003) a loan of Rs 57.86 crore for four out of the eight projects. Non- execution of canal works simultaneously alongwith headworks defeated the objective of borrowing and increase in financial burden of Rs 19.82 crore up to March 2003 towards interest on borrowed funds besides blocking an amount of Rs.130.27 crore.

The Executive Engineers of the respective divisions attributed the reasons for non taking up the canal works simultaneously with the headworks to possibilities of cropping up of unforeseen reasons at the time of execution of headworks, non fixation of location of the canal head regulator at the time of commencement of headworks for the masonry dam (Bhavnagar Irrigation Division, Rajkot Irrigation Division) and non approval of the detailed technical estimates for the canal works (Amreli Irrigation Division). The reasons advanced were not tenable as all works were to be taken-up for execution only after approval of detailed plans and estimates including the location of each structure i.e. masonry dam, canal head regulator etc.

In a similar case, it was observed that administrative approval for Rs.64.63 crore for the construction of four♦ irrigation projects was accorded between November 1989 and November 1996. The construction of headworks commenced between June 1991 and May 1997 and were completed between February 1993 and June 2000 at a total cost of Rs.45.89 crore. The canal works taken up thereafter were not completed upto May 2003 due to non availability of land as the land acquisition process was not initiated in time. Thus, against the total projected CCA of 11003 Ha, CCA of 2310 Ha only could be created and marginal benefits could be availed as shown below.

* Bhadar-II, Demi-III, Dondi, Hanol, Sodvadar, Survo, Utavali and Vadi Water Resources Projects (WRP).

* Demi III, Hanol, Survo and Utavali

♦ Bantwa –Kharo, Limbadi-Bhogavo-II , Phopal II and Und II Water Resources Project

Sr. No.	Name of the Scheme	AA Accorded in	Headworks completed in	Total expenditure on headworks Rs. in crore	Projected CCA (Ha)	Actual CCA created (Ha)
1	Limbadi Bhogavo II Water Resources Project	November 1989	June 1997	18.90	3605	400
2	Und II Water Resources Project	May 1990	February 1993	14.68	5313	800
3	Phopal II Water Resources Project	November 1996	June 2000	4.22	1410	650
4	Bantwa-Kharo Water Resources Project	December 1994	November 1998	8.09	675	460
				45.89	11003	2310

NABARD had provided (April 1995 to June 2002) a loan of Rs.43.83 crore for these projects. An expenditure of Rs.9.31 crore towards payment of interest up to March 2003 on loan proved wasteful as the purpose of providing irrigation was defeated due to delay in completion of the projects.

The Executive Engineers of the respective divisions attributed the reasons for part completion of canal works to non execution of detailed survey and non finalisation of design of canals, shortage of staff and non completion of land acquisition process.

Thus, injudicious commencement of all 12 projects without detailed survey, investigation and without initiating Land Acquisition process for canal works, resulted in unfruitful expenditure of Rs.176.16 crore apart from payment of interest of Rs.29.12 crore (March 2003).

The matter has been reported to the Government (July 2003); reply is awaited (December 2003).

4.4.2 Unfruitful expenditure of Rs.11.92 crore

Delay in deciding the design of canal crossing resulted in unfruitful expenditure of Rs.11.92 crore

Fulzar (Kotada Bavishi) Water Resources Project in Jamnagar district was administratively approved for Rs 18.95 crore in January 1992 and technical sanction (Rs.13.76 crore) for irrigating CCA of 1322 Hectare (Ha) of land was accorded in January 1994. The construction of headworks i.e. earthen dam, head regulator etc. commenced in February 1995 was completed in January 1998 at a cost of Rs. 10.19 crore. The project envisaged construction of 22 km long canals (8.20 km Right Bank Main Canal (RBMC), 9.30 km Left Bank Main Canal (LBMC) and 4.50 km minor canal). The work of construction of LBMC, commenced in October 2000, was completed in July 2001 at a cost of Rs 0.48 crore. The work of RBMC awarded in November 1999 to a contractor at tendered cost of Rs.1.71 crore was in progress and expenditure of Rs. 1.25 crore was booked till May 2003.

Scrutiny of the records of Und Canal Division, Jamnagar (Division) revealed (January 2003) that the main canals were to pass under the railway lines in the

initial reach. In response to the request of the Division (October 1999) the Railways decided to undertake the construction of crossing under the track through RCC boxes and requested (May 2001) the Division to deposit an amount of Rs.2.46 lakh towards charges for preparation of plans and estimates, security deposits etc.

Subsequently the Division requested the Railways (July 2001) to reduce the cost of work. Accordingly, the Railways prepared another estimate providing Cast Iron (CI) pipes. However, the Division again insisted on providing the boxes, which was contrary to its earlier request. Finally in joint meeting between the Railways and the Division (October 2001) it was decided to execute the work with CI pipes. The Railways insisted on the payment of the deposit required for preparation of plans and estimates. The Railways further demanded (July and December 2002) a payment of Rs.6.57 lakh towards supervision charges. However, the required amount was not paid (April 2003). Hence the work of canal crossing was not taken up till June 2003.

As a result, water could be flown in the canals upto the railway track only i.e. upto 3.45 km in RBMC and 2.3 km in LBMC, despite availability of sufficient water in the reservoir during 1998-99 to 2002-03 as shown below:

Year	Total inflow of water in reservoir (in MCUM)	Water utilised for irrigation (in MCUM)	Water spilled away (in MCUM)
1998-1999	8.260	1.600	2.810
1999-2000	1.900	Nil	0.290
2000-2001	0.045	Nil	0.560
2001-2002	7.460	3.202	2.274
2002-2003	4.237	2.220	--

Against the created CCA of 1000 Ha, (Projected 1322 Ha) only 251 Ha were provided irrigation during 2000-01 and 181 Ha during 2002-03. On the other hand, either water got spilled away or remained unutilised. The Executive Engineer replied (January 2003) that the work of RBMC was delayed due to Railway crossing and Land Acquisition problems.



A view of proposed LBMC



A view of proposed RBMC

The reply of the Division is not tenable as due to the indecision of the Department on the design of the crossing and non-payment of deposit to Railways, the expenditure of Rs.11.92 crore incurred on the project remained largely unfruitful besides depriving the intended benefit to the people.

The matter was reported to Government (June 2003) and the reply is awaited (December 2003).

4.4.3 Excess execution of work of Rs.1.43 crore

Faulty estimate resulted in excess/extra execution of work to the tune of Rs.1.43 crore

The work of “Source Development Scheme” for Mandvi Area Regional Water Supply Scheme envisaged the construction of waste-weir and an earthen dam across river Rukmavati near village Rayan (Taluka Mandvi). Technical sanction amounting to Rs.2.22 crore was accorded in June 2000 and the work was awarded (September 2001) to a contractor at tendered cost of Rs.1.51 crore. The work to be completed in September 2003 was completed in January 2003. An amount of Rs.2.60 crore was paid till October 2002 and the final bill[▼] remained to be prepared and paid (September 2003).

Scrutiny of records (January 2003) of the Executive Engineer, Kachchh Irrigation Construction Division, Bhuj revealed that

- the estimates of the above works were based on survey carried out in 1996 and by the time the work was taken up, ground level of dam seat had risen, due to siltation, higher than what was considered in the estimate.
- the Full Supply Level (FSL) was required to be raised for increasing the storage capacity as the envisaged underground storage capacity in the project was not found feasible in view of discovery of change in the strata during execution.
- original estimates did not include excavation of tail channel. During execution, the ground level of tail channel was found higher than Down Stream (DS) Tail Water Level (TWL). In order to avoid problem of submergence of weir in the event of flood, the weir level had to be increased.

In view of all these aspects, design of waste-weir was revised which ultimately resulted in execution of excess quantity amounting to Rs.1.15 crore and extra items of Rs.0.28 crore. The excess was more than 84 *per cent* of the tendered cost for which the benefit of competitive rates could not be availed of.

The Executive Engineer stated (January 2003) that the survey/investigation was in order. However the design was made for small check dam type and during execution it was felt necessary to raise the height of the structure so as to increase the capacity and new design was framed.

[▼] final cost worked out to Rs.2.94 crore

However, in his letter to the Superintending Engineer, Bhuj (January 2002), among other reasons, he had admitted that investigation of the scheme was completed 3 to 4 years earlier and due to deposition of silt during last 3 to 4 years, actual ground level has increased than considered in the estimate. Since most of the length of crest was coming under the ground profile, its level had to be increased and hence, the design of waste weir was required to be revised.

Thus, the work commenced on the outdated estimate based on obsolete survey report without relevance to the actual site conditions, resulting in excess/extra expenditure of Rs.1.43 crore.

The matter was reported to Government (June 2003); the reply is awaited (December 2003).

INDUSTRIES AND MINES DEPARTMENT

4.4.4 Avoidable Expenditure

Avoidable expenditure of Rs.1.06 crore due to failure to place order in time

The Central Stores Purchase Organisation (CSPO) is a central agency for finalising purchase of stores economically and efficiently for different departments of the State. On the basis of indent placed (1999-2000) by three[#] indenting officers for purchase of cycles for distribution to tribal and other backward class girl students of standard VIII, under Saraswati Sadhana Yojana[§], tenders were floated by CSPO in July 1999. Offers of the four suppliers were accepted and orders for supply of 130806 cycles were placed in May-July 2000 at the rate of Rs.1112/- per cycle. The supply order also provided for placement of repeat order against the original order within a period of six months.

The three indenting officers forwarded another set of indents to CSPO between 12 June 2000 and 29 June 2000 for purchase of additional quantity of 123233 cycles. In the Stores Purchase Committee meeting held on 27 June 2000 it was decided to place repeat order for 28333 cycles in respect of one indenting[♥] officer only. The other two[^] indents were returned for compliance of some queries. These two indents for 94900 cycles were also received back after due compliance on 18 July 2000 and 26 July 2000 respectively. However, CSPO, instead of placing repeat orders for 123233 cycles, issued the repeat orders for 28333 cycles in September 2000 (18888) and February 2001 (9445) at the original rate of Rs.1112/-. In the meanwhile CSPO floated (August 2000) another tender enquiry and finalised (August 2001) a fresh contract for purchase of 96516 cycles at the rate of Rs.1224 per cycle including 94900 the indents for which were received in July 2000 itself. The cycles purchased through fresh contract were supplied between September 2001 and September 2002.

[#] Director Schedule Cast Welfare, Commissioner Backward Class Development, Director Developing Cast Welfare.

[§] A State Plan Scheme

[♥] Commissioner, Backward class development

[^] Director Schedule Caste Welfare, Director Developing Caste Welfare

Thus, non-issue of repeat order within validity period ultimately resulted in avoidable extra expenditure of Rs.1.06 crore for 94900 cycles besides delay in distribution of cycles for a period of one year.

The CSPO stated (January 2003) that 28333 cycles were purchased from three suppliers by repeat orders and remaining quantity could not be purchased through second repeat orders as there was no provision in the contract for second repeat orders. Government while justifying the action of CSPO stated (August 2003) that fresh tender enquiry was floated as indents for repeat orders were not received in time. The replies of the CSPO and Government were not tenable. By the time of placement of repeat order in September 2000 (18888 cycles), the indents (94900 cycles) from other two indenting officers had already been received (July 2000). Further repeat order for 9445 cycles was issued in February 2001 only at the original rate even when the validity period had already expired. Hence repeat orders for 94900 cycles could have been issued in September 2000 itself. Failure to do so resulted in avoidable expenditure of Rs.1.06 crore.

4.5 Idle investment/ Idle establishment /Blockage of funds

ROADS AND BUILDINGS DEPARTMENT

4.5.1 Unfruitful Expenditure

Commencement of work without sufficient allotment of funds resulted in blocking of funds of Rs.27.20 crore without deriving benefits therefrom

A bridge across river Narmada between village Chandod and Poicha was constructed (September 2001) at a total cost of Rs.25.96 crore. The work, which had commenced in 1993, was completed in a long period of eight years.

Audit scrutiny revealed (April 2003) that the Executive Engineer (Narmada), Bridge Construction Division[▼], Vadodara invited tenders for the work of approaches in October 2000. The work was awarded to a contractor in June 2001 at his tendered cost of Rs.6.93 crore. The work, commenced in August 2001, was scheduled to be completed in February 2003.

The contractor has carried out the work upto June 2002 amounting to Rs.1.84 crore. A staggered payment of Rs.1.24 crore was made between May 2002 and February 2003 leaving a balance of Rs.0.60 crore. Due to non-payment of bills the contractor abandoned (June 2002) the work and requested (December 2002) the Division to relieve him from the above work. However, the contractor was not relieved as the work had not reached the safe stage. As no further work on approaches was executed after June 2002, the bridge could not be utilised.

Executive Engineer stated (May 2003) that due to non-allotment of fund by the Government, payment could not be made to the contractor.

[▼] Division

Thus, due to non-allotment of sufficient funds, expenditure of Rs.27.20 crore incurred on the construction of bridge and its approaches proved unfruitful. Further, the incomplete work on approaches that was not brought to safe stage was susceptible to damage.

The matter was reported to Government in July 2003, the reply was awaited (December 2003).

4.5.2 Blocking of funds

Commencement of a work without ensuring availability of funds in violation of codal provisions led to abandonment of partly completed work worth Rs.5.77 crore

With a view to develop Dholavira*, Government decided to undertake the work of widening and improvement of Chitrod-Rapar-Dholavira road (km. 0/0 to 109/0) in January 1999. Administrative approval and technical sanction were accorded in July 1999 for Rs.15.52 crore. The work was split up in three parts for early completion.

Audit scrutiny at Roads and Buildings Division, Bhuj revealed (January 2003) that

- tenders were invited (April 1999) and the works awarded (February 2000) at a total cost of Rs.13.26 crore. The work orders for all the three works were issued in March 2000.
- During 2000-01, the contractors executed the work worth Rs.4.38 crore and were paid accordingly.
- As against the requirement of Rs.8.88 crore during 2001-02, only Rs.0.28 crore was released for these works. Of the total work done for Rs.1.39 crore during 2001-02, payment of Rs.0.28 crore only was made leaving a balance of Rs.1.11 crore.
- The balance amount was cleared only by September 2002. The contractors stopped the work (June 2001) after executing the work valued Rs.5.77 crore due to inability of the Government to make timely payments and requested the Government (June and September 2001) to relieve them from the work.
- No decision was taken (August 2003) by Government and the works remained abandoned since then.

Thus, lack of proper planning and execution of works without sufficient funds resulted in blocking of funds of Rs.5.77 crore besides defeating the purpose for which the project of widening the road was undertaken.

The matter was reported to Government in February 2003; reply has not been received (December 2003).

* Dholavira is a place of archaeological and historical importance in Kachchh district.

4.5.3 Blocking of funds

Construction of new circuit house without assessing actual requirement resulted in idle investment of Rs 1.32 crore

On the basis of revised Administrative approval of Rs.94.58 lakh issued (February 1998) for construction of a new circuit house at Surendranagar, the work was awarded (February 1999) to a contractor at tendered cost of Rs.66.00 lakh for completion by August 2000. The work started in February 1999 and was completed in August 2000 at a cost of Rs.67.78 lakh. An expenditure of Rs.64.55 lakh was incurred on furniture and electrification[♦] etc. and on construction of staff quarters[♥] upto October 2002.

Scrutiny of the records (May 2003) of Roads and Buildings division, Surendranagar revealed that on the basis of allotment of funds in the budget for 1994-95, the Executive Engineer (EE) submitted a proposal for construction of a new circuit house and Government accorded (November 1997) administrative approval to it. As the occupancy in the existing Circuit House at Surendranagar ranged between 51 *per cent* to 62 *per cent* during 1996-97 to 1999-2000, there was no requirement for a new circuit house in the same location.

Further, the new circuit house was not put to use (May 2003) after its completion in August 2000 as no staff was deployed.

Thus, construction of new circuit house without assessing actual requirement resulted in idle investment of Rs.1.32 crore.

The EE replied (July 2003) that though there was no suggestion on record for construction of new circuit house at Surendranagar, as the existing circuit house was an upgraded rest house and it being a District Head Quarter a circuit house was considered necessary and that due to shortage of staff the circuit house was not put to use.

The reply was not tenable as the existing circuit house itself was never fully occupied from 1996-97 to July 2003. As a result thereof, the new circuit house was not at all put to use (May 2003) even after three years of construction. Consequently, the expenditure of Rs.1.32 crore was largely unfruitful till now (December 2003).

The matter was reported to Government in May 2003; reply was awaited (December 2003).

[♦] Rs.57.86 lakh

[♥] Rs.6.69 lakh

4.5.4 Idle investment on construction of a bridge

Bridge constructed at a cost of Rs.1.04 crore could not be put to use for more than four years due to lack of co-ordination with Land Acquisition authorities

The work of construction of a bridge across river Meshwo in place of existing dip on Lunavada-Modasa-Shamlaji road at Km.500/0 to 501/0 was administratively approved (January 1996) and technically sanctioned (February 1996) for Rs.1.15 crore by the Government. The work was awarded to a contractor (July 1996) at tendered cost of Rs.1.16 crore and work order issued (August 1996) by the Executive Engineer (EE), Roads and Buildings Division (Division), Himatnagar for completion by February 1999. The work was completed in January 1999 at a total cost of Rs.1.04 crore.

Test check of records (April 2002) of the Division revealed that the Division had sent (September 1997) the primary proposal for acquisition of 22110 sq. m. of private land required for the work of approaches to the Collector, Himatnagar. Notification under Land Acquisition Act was issued between September 1999 to March 2000 and the award declared by the Land Acquisition Officer in February 2002.

The Division requested the Government (April 2002) for allotment of Rs.2.20 lakh, the award amount. However, no fund was allotted and payment was not made to the land owners (July 2003). Consequently, the work of approaches could not be taken up.

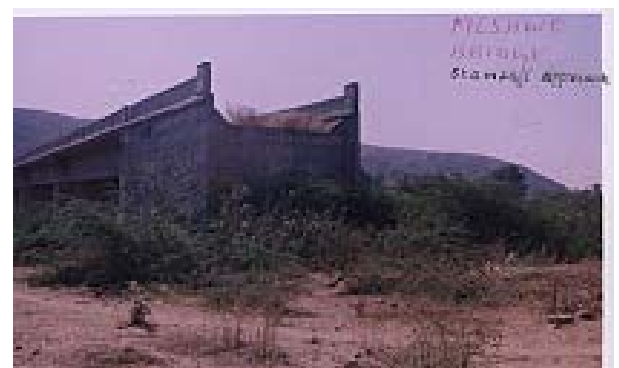
The EE stated (April 2002) that during the execution of bridge it was assumed that the required land for approaches would be obtained but due to lengthy procedure of Land Acquisition, non-cooperation of Land Acquisition office and non allotment of fund, the work of approaches was delayed.

The reply is not tenable as it took two years to initiate land acquisition process and further more than two years for declaration of awards. Even after declaration of awards, the Division was not able to get allotment of a meagre amount of Rs.2.20 lakh and the bridge constructed at a cost of Rs.1.04 crore remained idle till date (July 2003).

The matter was reported to the Government in April 2003; their reply is awaited (December 2003).



MESHWO BRIDGE MODASA APPROACH



MESHWO BRIDGE SHAMLAJI APPROACH

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

4.5.5 Blocking of funds

Injudicious release of grants under Sardar Awas Yojana without assessing requirement resulted in blocking of funds of Rs. 8.05 crore

Rule 145(5) of Gujarat Financial Rules 1971 provide that every grant made for specific purpose should be utilised within a reasonable time and the portion of the amount which could not be utilised for the said purpose is required to be surrendered to Government.

Records of District Panchayat, Mehsana, Surat and Surendranagar (Panchayat) revealed (June 2002-2003) that under state sponsored scheme of Sardar Awas Yojana (SAY) financial assistance was payable to rural poor for construction of houses. However, parallel scheme of Indira Awas Yojana (IAY) implemented by Government of India through District Rural Development Agency was more beneficial compared to state sponsored SAY*. As a result, physical performance under SAY against target during 1999-2000 and 2001-02 remained between 10 *per cent* and 65 *per cent*. Despite low achievement of targets Government continued to release funds according to the targets fixed without ascertaining from the Panchayats the actual expenditure. This resulted in accumulation of unspent balance of Rs.8.05 crore with the Panchayats by end of March 2003.

When this was pointed out by audit, Panchayats stated (June 2003) that the funds were released by the Government without any demand and that the targets for construction of houses under SAY fixed by Government were on higher side which could not be achieved on account of popularity of IAY.

Thus, injudicious release of grant without any demand resulted in blocking of Rs.8.05 crore besides imposing financial burden on state budget.

The matter was reported to Government in June 2003; reply was awaited (December 2003).

NARMADA, WATER RESOURCES AND WATER SUPPLY DEPARTMENT

4.5.6 Idle Investment

Indecision in selection of site for installation of fuse gates resulted in blocking up of Rs.2.33 crore and recurring liability of interest on borrowed funds

To increase the storage capacity of irrigation dam using HYDROPLUS fuse gates system, an agreement was entered into (December 1998) between Government of Gujarat and “Hydroplus International”, of France for installation of fuse gates in eight dams at a total cost of Rs.39.80 crore. Out of

* Under SAY the construction of houses should be done by various agencies and assistance paid to the agencies only, thereby the quality of construction suffered. Under IAY the beneficiaries were themselves allowed to construct the house and assistance was paid direct to them.

this, a credit of Rs.25.92 crore towards the cost of the project was to be provided by the Hydroplus International under protocol agreement as loan bearing interest at 4.94 *per cent* per annum. Total gates to be installed were 546 in number.

The installation of 470* fuse gates on seven dams was completed between October 2000 and April 2001[^]. The 76 gates purchased between May 1999 and February 2001 for Rs.2.33 crore for Patadungri dam and 3 gates (spare) supplied free of cost could not be installed because of opposition from local bodies.

Therefore, Government decided (January 2001) to install these gates in Veradi-I dam in Jamnagar District. Accordingly, a fresh agreement was entered (January 2001) into with Hydroplus International to install 97 fuse gates including additional 18 gates which were to be supplied free of cost, at Veradi-I, to be completed before monsoon of 2001. However, based on the Report (October 2001) of the Superintending Engineer, Rajkot Irrigation Circle regarding damage suffered by farmers due to fusing away of fuse gates at Sorathi and Sonmati dams and opposition from local Kisan Sangh and people apprehending submergence of agriculture land, Government issued instructions (October 2001) to postpone installations.

A proposal for installation of these fuse gates at yet another dam i.e. Sankroli in Amerli District was considered (April 2003) but was dropped in June 2003. The 79 gates (76+3) therefore, remained uninstalled so far (July 2003).

Thus, lack of proper survey before purchase of gates resulted in idle investment of Rs.2.33 crore besides the liability of Rs.0.31 crore on interest due on borrowed funds.

The Division stated (April 2003) that change of site etc. was decided by Government and the division was acting as nodal agency. The fact however, remained that the equipment valuing Rs.2.33 crore remained idle since 1999-2000 due to indecision of Government.

The matter was reported to the Government in June 2003; the reply was not received (December 2003).

LABOUR & EMPLOYMENT AND SPORTS, YOUTH SERVICES & CULTURAL ACTIVITIES DEPARTMENTS

4.5.7 Idle investment on construction of Hostels

Hostels constructed at a cost of Rs.1.13 crore remained idle

Youth Services and Cultural Activities Department and Labour & Employment Department accorded administrative approval of Rs.0.47 crore (February 1992) and Rs.0.37 crore (August 1992) for construction of hostels

* plus 25 fuse gates supplied free of cost

[^] Total No. of gates for which payment was made	546
No. of gates supplied free of cost	28
No. of gates installed	470

for accommodating 65 sportsmen at Limbdi (district Surendranagar) and 80 students of Industrial Training Institute, (ITI) Manpur (district Navsari) respectively. The construction of the hostels was completed in July 1998 (cost Rs.74 lakh) and January 2000 (cost Rs.39 lakh).

Audit scrutiny of the records of Sports Coaching Centre, Limbdi revealed (January 2001) that the possession of hostel was taken over in July 1998 but no sportsman was admitted till now (December 2003). Staff required for running the hostel was not appointed as the Government had not sanctioned any post.

Similarly, ITI hostel building remained unutilised from date of taking over possession (8 May 2000) till August 2003 as only 12 students were admitted in the academic year 2003. The Principal ITI stated (April 2003) that the ITI was situated in tribal area and the hostel was constructed to provide accommodation to the students coming from interior part. However, the fact remained that no trainee sought admission in the hostel till 2003 and the hostel premises were utilised to dump the stores and for providing shelter to the police for fifteen days in December 2002.

The Government stated (September 2002) that due to economy measures and ban on creation of new posts from September 1998, Finance Department (FD) did not sanction the requisite staff for sports hostel. The contention of the Government was not tenable as the department should have got the staff sanctioned along with the administrative approval of the hostel building in 1992 itself as the ban for new recruitment was imposed only from September 1998. For non-utilisation of ITI hostel Government attributed (July 2003) reasons to low turnout of trainees from other districts due to increase in number of ITIs in the districts. The reply was not tenable as Government failed to consider the increasing number of ITIs in the district before construction of hostel at Manpur.

Thus, non-sanctioning the staff required for running of sports hostel and construction of hostel for ITI students without assessing the actual requirement resulted in idle investment of Rs.1.13 crore.

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

4.5.8 Blocking of Rs.57.64 lakh on unsold property

Non-occupation of residential flats by the officers and subsequent failure in its disposal resulted in blocking of Rs.57.64 lakh

In October 1997, Vadodara Urban Development Authority (VUDA) decided to construct commercial shop- cum- residential complex (Complex) on the plot measuring 703 sq. mt. at Gorva allotted (November 1995) by Government. Accordingly, complex having total built-up area of 1242.18 sq.mt consisting of 8 shops, 2 office premises and 4 flats for executives was constructed in January 2000 at a cost of Rs.92.64 lakh.

Of these, shops (built up area 237.30 sq mt.) were sold (October 2000-November 2002) for Rs.31.48 lakh and office premises area (341.84 sq mt.), with up-set value of Rs.30 lakh were retained for housing its town planning office. The four residential flats (built up area 663.04 sq.mt.) remained unoccupied as the executives were not willing to occupy the flats. VUDA therefore decided (April 2000) to dispose of the flats at the up-set price fixed by the registered valuer.

The records of VUDA revealed (February 2002) that against the cost price of Rs.57.64 lakh of the flats, (including the cost of land at prevailing market rate of Rs.350 per sq mt.) the valuer fixed (March 2001) the up-set price at Rs.54.77 lakh. Since the property could not be sold at that price, it was revalued (November 2001) to Rs.44.82 lakh. As there was no demand for the flats even at the reduced price, VUDA resolved (October 2002) to dispose of the property at Rs.39.04 lakh at the demand price assessed privately. However, the flats remained unsold.

VUDA stated (June 2003) that its executives serving there on deputation were being transferred frequently and with a view to provide them residential accommodation, it was decided to construct the flats. However, due to unwillingness of the executives to reside in the flats a decision was taken to dispose of the property.

Construction of flats without ascertaining the requirements, non-occupation of accommodation by the executives and its non-disposal in three years thus resulted in blocking of Rs.57.64 lakh and recurring liabilities towards its maintenance.

The matter was reported to Government in February 2002, the reply was awaited (December 2003).

4.6 Regulatory issues and other points

EDUCATION DEPARTMENT

4.6.1 Computerisation in Education Department

(A) Supply of sub-standard Computers to Grant-in-aid Schools

Non-observance of conditions laid down by Government for purchase of computers raised doubts about genuineness of purchase valued at Rs.26.25 crore

With a view to train students in Information Technology, Government introduced computer education as an optional subject in High Schools from 1998-99. To equip the aided high schools (schools) with necessary infrastructure, Government decided (November 1998) to reimburse upto 50 *per cent* of the expenditure incurred on purchase of computers as a one time grant (grant) subject to a ceiling of Rs.3.00 lakh per school.

Government prescribed (November 1998) the configuration of computer systems, education software, furniture, power systems etc. A Technical Agency was to inspect and certify the systems; and a specified cell of Dr. Vikram Sarabhai Community Science Centre, Ahmedabad (VSCSC) was to certify the education software before payment.

Based on the specific recommendations (November 1998) of the District Education Officers (DEOs), the Commissioner of Mid-day-Meal and Schools (Commissioner) sanctioned Rs.26.25 crore for the scheme. DEOs disbursed this amount to 875 schools during the period 1998-2002 (4 years). Government discontinued the scheme with effect from 2002-03.

Test check by audit of records in 8 selected DEOs^ψ covering 545 schools (62 per cent) conducted between October 2001 and January 2003 revealed the following:-

• ***Uneven coverage of the scheme***

- The target set for first year (1998-99) was to support minimum 10 schools in each district. No targets were fixed for the next 3 years.
- Out of the total 875 schools covered, 125 schools were selected from 13 districts (ranging from 1 to 26 school's per district) and 750 schools from 10 districts (ranging from 40 to 164 schools per district).
- No computers were provided to any of the schools in Dangs and Narmada districts.
- Schools at Ahmedabad and Mehsana accounted for 38 per cent (Rs.9.99 crore 333 schools) of the benefits. Except Sabarkantha (95 schools, Rs.2.85 crore) all rural centres lagged behind with a coverage between 1 and 52 schools.
- Out of twenty five districts, two* were yet to implement the scheme whereas in 6 other districts less than 5 schools could only be covered.

• ***Purchase of sub standard system***

As the Commissioner failed to appoint a Technical Agency to certify the Systems as stipulated, Education Inspector (EI) and Assistant Education Inspector (AEI) with no technical knowledge inspected the systems and certified the eligibility for reimbursement. The Commissioner failed to involve the VSCSC to certify the software. Thus, grants were paid to schools which purchased substandard systems as mentioned below:

- Specifications provided for purchase of Pentium computers from ISO-9002 companies. But 543 schools (out of 545) purchased 'Assembled Systems' wherein lower configuration (286, 386, 486) was noticed.
- As the prescribed softwares viz. Windows 95 and MS Office could not be operated on 286 models, students were not trained on those Systems in 29 schools covering the grant of Rs.87 lakh (**Appendix-XXX**).

^ψ Ahmedabad (City), Ahmedabad (Rural), Junagadh, Kheda, Mehsana, Rajkot, Sabarkantha and Vadodara.

* Dangs and Narmada

- In 10 schools of 4 districts (grant Rs.30 lakh) the details of purchase of essential components like RAM and/or Monitor were absent. The functioning of the systems without these components was not possible. The EI/AEI with no technical knowledge failed to understand the technical aspects and certified such systems as eligible for grant.
- There were no records to prove that 414 schools had purchased operating systems and 390 schools had purchased educational software. In the absence of operating system and educational software and the involvement of VSCSC the education imparted was questionable.
- One school, had purchased four copies of accountancy software for business purposes of the Trust, - instead of educational software, which was also reimbursed (Rs.0.68 lakh).

• ***Irregularities in payment***

Purchase from ingenuine firms

Cross check of the Bills/Invoices for Computer Hardware/Software with Sales Tax authorities, revealed that :

- 73 suppliers to 125 schools were not genuine. The records of Sales Tax Authorities verified by audit raised doubt on genuineness of purchase from these suppliers; as addresses of the suppliers mentioned in the bills/invoices, Sales Tax Registration numbers etc. were found incorrect.
- despite their knowledge of local areas, DEOs failed to verify the genuineness of the purchases from such suppliers and released the grant of Rs.3.75 crore.

Multiple financial aid

Computer grant was not admissible to schools which obtained financial assistance from any other Government source. However, 14 schools were paid Rs.42 lakh over and above the financial assistance of Rs.39 lakh from Member of Parliament Local Area Development Scheme (MPLADS) (**Appendix XXXI**).

DEOs being the recommending/disbursing authorities in both the cases have unduly favoured these schools by providing multiple assistance.

Failure to restrict grant

In 22 cases, the DEOs failed to exclude the ineligible items like maintenance, repairing, stationery, assembling, installation charges etc. valuing Rs.7.42 lakh claimed by the schools.

Irregular payment without purchase of computer

- Two schools[♥], provided computer education to the students at the computer institutes of their Trust and did not purchase any computer for their schools. But the DEOs irregularly disbursed Rs.6 lakh based on their application without any supporting documents.
- DEOs released grant (Rs.15 lakh) to five schools for upgrading existing computer system and to one school (Rs.3 lakh) which had hired computer for training, violating the directions of Government.

(B) Providing computers in Government Schools**Non-observance of procedure for purchase of computers resulted in irregular expenditure of Rs.2.05 crore besides blocking of Rs.23.79 lakh**

The Member of Parliament (MP) of Rajkot district recommended providing of computers and other accessories to the schools of the district out of fund placed at his disposal under Member of Parliament Local Area Development Scheme (MPLADS). Accordingly the Collector Rajkot sanctioned Rs.2.09 crore between April 2000 and March 2002 and placed the fund at the disposal of District Education Officer, Rajkot (DEO) for providing computers to all non-government schools/colleges of the district.

DEO purchased between November 2001 and March 2002, 358 computers and distributed to 185 schools and one college. Scrutiny of records maintained by DEO relating to purchase of computers and its distribution revealed (November 2002) as under:

As per policy guidelines of Government* (December 1999) read with the provisions of resolution of September 1997 all purchases exceeding Rs.2 lakh were required to be made after inviting open tenders through news papers. In disregard to the provisions of the resolution, DEO invited price quotation from three local assemblers and purchased 358 computers from two assemblers without assessing the competitive rates through invitation of open tenders from established manufacturers.

Audit therefore, conducted (May 2003) physical verification of twelve schools in presence of respective Headmasters/ headmistresses of the district to assess the actual utilisation of the computers. It was revealed that:

- A charitable trust of Mumbai donated (September 2001) one assembled computer to a girl's high school at Virpur. The computer had the same configuration and capacity as was supplied by DEO out of MP grants. But the price of the donated computer was Rs.28880 against Rs.39000 paid by DEO. Non-assessment of competitive rates by DEO thus resulted in undue favours to private vendors and avoidable excess expenditure of Rs.38.41 lakhs in respect of 308 computers purchased from the local assemblers out of Rs.1.88 crore provided by one MP.

[♥] 1 Shri Jai Somanth High School, Khokhara, Ahmedabad and Shri H.L. Gandhi Vidya Vihar High School, Rajkot.

^{*} in General Administration Department (Information Technology Division) resolution

- 51 computers were distributed to the middle schools (44) and primary schools (7) in violation of the guidelines of MPLADS.
- Two out of 24 computers supplied to 12 test checked schools could not be put to use as there was no electricity in the village and eight computers were lying unutilised due to non-installation by suppliers even after 17 months of supply. Thus, fund of Rs.23.79 lakh remained blocked since March 2002.
- The teachers of the schools were imparted training for computer operation for three days only and hence there was little possibility of utilisation of the computer either for computer education to the students or for administrative work.

The DEO while remaining silent on distribution of computers to middle and primary schools against the guidelines of MPLADS and non-observance of government instructions of September 1997, advanced reasons (January 2003) for purchase of assembled computers to heavy cost of branded computers. This was not tenable as no attempt was made to assess the competitive rates of branded items for purchase of computers in bulk. Further, there was huge difference between the price paid by DEO and the assembled computer of similar capacity available in the open market. Hence the entire issue calls for investigation at the highest level.

The matter was reported to Government (June 2003), it was stated (December 2003) that departmental level inquiry was set up to investigate the issue and necessary action would be taken as soon as possible.

4.6.2 Irregularities in construction of prefabricated class rooms

Poor quality of construction of classrooms led to avoidable expenditure of Rs.4.02 crore

Government of Gujarat in their resolution (December 1998) stated that there was large shortage of classrooms in primary schools. Since conventional method of construction of rooms through Public Works Department was not found suitable to fulfill the demand for good quality of rooms in a very short time and also to avoid huge expenditure on repairs and maintenance, State Government decided to adopt prefabrication (prefab) technology and accordingly, invited (December 1998) proposals for construction of prefabricated rooms as per prescribed specifications.

Fourteen companies participated in the tender. After scrutiny by a Technical Committee and evaluation of the offers by Financial Committee, offer of M/s Larsen and Toubro (L&T) at unit cost of Rs.1,59,750 for first 6000 rooms and Rs.1,55,000 for 10,000[▼] rooms subject to placing of order for subsequent 4000 rooms over the first 6000 within 3 months from issue of initial order was considered to be the lowest. Accordingly, L&T was awarded (May 1999) the work for construction of 6000 classrooms at the sites selected by the Department.

[▼] including first 6000 rooms

Scrutiny of records of the Department and the spot verification by audit of class rooms of 10 districts revealed as under:

- L&T had offered the concession of Rs.4750 per room upto 10000 rooms provided repeat order for additional 4000 rooms was given within 90 days of issue of work order for 6000 rooms, or on construction of at least 500 rooms whichever was later.
- However, Department issued repeat order for additional 5700 rooms only in October 2000 after delay of 16 months. This led to deprivation of benefit of concessional rate which ultimately resulted in avoidable payment of Rs.2.88 crore in respect of 6070 rooms constructed upto February 2001.
- The contract agreement stipulated a seismic stability of the structure for earthquake zone 5 and 4 capable of withstanding the quake of higher intensity. But prefabricated rooms constructed by L&T were heavily damaged in the earthquake of January 2001. Therefore, Education Minister ordered (February 2001) suspension of further work.
- However, advance of Rs.4.53 crore for construction of additional 5700 rooms was paid to the agency in March 2001 disregarding the instructions of the minister.
- Despite directives for stoppage of work, the agency constructed 100 more rooms (cost Rs.1.59 crore) and retained the advance till September 2002. Retention of advance by the agency after stoppage of work led to loss of interest of Rs.0.86 crore at the rate of 12 *per cent* per annum.
- The agreement (September 1999) provided for an additional payment of Rs.7000 per room for strengthening of soil base in the area where black cotton soil was noticed in the foundation. There was, however, no clause in the agreement regarding testing of soil in an approved laboratory. As a result, Department accepted the additional claims of Rs.1.14 crore for 1626 rooms without technical verification through officers of State Public Works Department.
- Cross check of approved design of rooms by audit with the earth quake expert^Y revealed that the design was only an architectural drawing showing specifications with no relation to seismic stability.
- No supervision of the fabrication at work site was done by any technical person or an engineer. The Head masters of the schools, though non-technical persons, were authorised to issue certificate for satisfactory completion of work.
- Verification of 347 class rooms in 150 schools in ten districts by audit (May-July 2003) revealed that 257 class rooms had suffered extensive damage compared to conventional construction of classrooms[▼] in the quake of January 2001. Since the structure was guaranteed for three years the repairs were carried out free of cost. However, the rooms were not used due to poor repairing.
- Head masters of the test checked schools stated (June 2003) that remaining 90 rooms too had limited use because of inhospitable conditions due to extreme heat, poor ventilation, etc.

^Y Professor Emeritus, Department of earth quake Engineering, IIT Roorkee

[▼] Damage to prefabricated class rooms in Valsad and Bhavnagar districts was 52% and 98% respectively compared to damages to class rooms constructed by conventional method which was 8.16% and 60% respectively



DAMAGED CLASS ROOMS

Thus, adoption of prefabrication technology without ensuring safety against earth quake in the earthquake prone State and delay in execution of the work, defeated the very purpose of providing class rooms for the needy students and resulted in avoidable/irregular payments of Rs.4.02 crore besides loss of interest of Rs.0.86 crore due to retention of advance by the agency despite stoppage of work. Further in view of large scale irregularity and failure of prefabrication technology adopted, the entire issue calls for investigation at the highest level.

The matter was reported to Government in July 2003; the reply was awaited (December 2003).

NARMADA, WATER RESOURCES AND WATER SUPPLY DEPARTMENT

4.6.3 Blocking of funds

Injudicious diversion of Rs.3.62 crore from the borrowed funds and blocking of Rs.23.10 crore

Administrative Approval for construction of Ozat II Water Resources Project accorded (January 1990) for Rs.45.96 crore was revised to Rs.43.04 crore (March 1992). The work of construction of spillway, masonry dam, head regulator and spillway bridge (Civil work) was awarded (September 1995) to a contractor at a total cost of Rs.11.32 crore. The work was completed in December 2001 at a total cost of Rs.16.90 crore. For execution of the project, NABARD provided (1995-2001) financial assistance of Rs.17.14 crore.

Audit scrutiny (September 2001) of records of the Executive Engineer, Junagadh Irrigation Project Division revealed that the division deposited Rs.9.82 crore with Executive Engineer, Irrigation Mechanical Division No.VII, Ahmedabad during 1996-98 for manufacturing radial gates for the project. The latter incurred (1997-2002) an expenditure of Rs.6.20 crore and diverted Rs.3.62 crore to other projects upto August 2002 without approval of the project authorities. This led to non-completion of radial gates due to shortage of funds though the Civil works were completed by December 2001 at a cost of Rs.16.90 crore. As a result water could not be stored in the reservoir above crest level and spilled away during monsoon of 2002 and 2003.

The GWSSB had developed a group water supply scheme for supply of drinking water to Keshod city and 56 villages of Junagadh district from this reservoir at a cost of Rs.32.86 crore. Against net requirement of 6.06 m³ of water for this purpose, only a marginal quantity of water could be provided as large quantity of water was spilled away as detailed below:

Year	Inflow of water	Water utilised for		Water spilled away
		Irrigation	Drinking	
2001-02	69.50 MCM	1.00 MCM	1.00 MCM	67.00 MCM
2002-03	23.46 MCM	Nil	2.11 MCM	20.46 MCM
2003-04	5.80 MCM	Nil	0.0144 MCM	2.60 MCM

Thus, intended benefits could not be provided to the people.

The Superintending Engineer, Mechanical circle replied (May 2002) that as project authorities did not ask for refund of unspent balance of the deposit, the Executive Engineer utilised it for other Government works in bonafide public interest.

Reply was not tenable as the question of refund did not arise as the amount was meant to meet the specific requirement of the work, which was not executed. The diversion of borrowed funds meant for a specific project was also against the terms and conditions of the agreement with NABARD, which ultimately led to non-completion of the project and consequential deprivation of intended benefits to the people.

The matter was reported to the Government in January 2002; reply has not been received (December 2003).

PORTS AND FISHERIES DEPARTMENT

4.6.4 Non-recovery of minimum LDT charges of Rs.6.99 crore

Plot charges of Rs.6.99 crore was not recovered by Gujarat Maritime Board from defaulting ship breakers

Along port managed by Gujarat Maritime Board (GMB) is a ship breaking yard. Plots are allotted to ship breakers on tender-cum-auction basis and on payment of a non-refundable premium at the rate of Rs.2700 per sq. m. The permission for utilization of plot is given for ten years and is subject to payment of (i) plot charges at the rate of Rs.600 per ten sq. m. per annum (ii) Rs.12 per Light Displacement Tones (LDT¹) of the ship brought for breaking, (iii) payment of Landing Shipping fee (L&S) at Rs.70 per LDT and (iv) all port charges as revised from time to time.

As per terms of GMB (conditions and procedures for granting permission for utilising ship breaking plots), Regulations 1994, each plot holder was required to bring ships of minimum 60,000 LDT in a block of six years. In the event of shortfall, the plot holder are to pay all the port charges and the LDT charges for a minimum of 60,000 LDT. On failure of payment of minimum plot charges within one month from the date of expiry of last year of the block, the permission to utilize the plot shall come to an end.

¹ LDT means weight of ship without cargo.

Records of port officer, Alang, revealed (December 2002) that:

- As against requirement of handling of minimum 13.20 lakh LDT by 22 plot holders in the block years of 1994-2000, the actual LDT handled by them was only 4.54 lakh tonne.
- Consequently, Rs.6.99 crore became recoverable till December 2000 from the plot holders towards differential minimum plot charges for 8.66 lakh LDT at the rate of Rs.12 per LDT and L&S at Rs.70 per LDT.
- The plot holders did not pay the differential amount despite notices and GMB too did not take any action to recover the amount except withdrawal of permission.

The GMB stated (September 2003) that in case of 13 plot holders who failed to pay the differential amount of Rs.4.18 crore, the possession of plots was taken over. Further, remaining 9 plot holders against whom minimum plot charges of Rs.4.48 crore was outstanding, were of reserved categories (SC/ST) and necessary action against them would be taken on hearing from high power committee yet to be set up by the Government for considering certain relaxation to them. However, the fact remained that Rs.6.99 crore remained unrecovered from the defaulting plot holders.

The matter was reported to Government in June 2003; the reply has not been received (December 2003).

4.6.5 Loss due to unauthorised investment

Gujarat Maritime Board unauthorisedly invested Rs.2.62 crore in violation of provisions of the Act leading to unfruitful investment and loss of Rs.2.34 crore

Section 74(2) (b) of GMB Act, 1981 (Act) provides that surplus funds should be deposited with Nationalised Bank or in such Public Securities controlled by the State Government as may be determined by the Board. Further as per Government Resolution of July 1995 surplus funds should be required to be invested as inter corporate deposits in either of the Government owned companies *viz.* Gujarat Industrial Investment Corporation, Gujarat State Financial services etc. wherein interest was paid one *per cent* higher than the maximum approved by Reserve bank of India for term deposit. The Act did not permit GMB to invest its surplus funds in equities, which is subject to market fluctuations.

Test check of records of GMB revealed (August 2000) that in contravention of the provision of the Act and Government instructions, GMB invested (March 1997) surplus funds amounting to Rs.2.62 crore in 5 lakh equity shares of Gujarat Lease Finance Limited (GLFL) at a premium of Rs.42.50 against face value of Rs.10/- per share. The market value of investment in equity share had fallen to Rs.0.28* crore as of 16 January 2004 as against investment of Rs.2.62 crore after holding the same for more than four years. No dividend was declared by the company since purchase of the shares.

* Value as per Bombay Stock Exchange in respect of GLFL was Rs.5.60 per share as on 16.01.2004

GMB stated that the investment was made as per the orders passed in the meeting of Secretaries of Ports and Fisheries and Finance Department. This was not tenable in view of the fact that the decision of Secretaries was not prudent and was subject to specific approval of the Government for such investment.

Thus, injudicious decision by GMB to invest Rs.2.62 crore in Gujarat Lease Finance Limited in violation of GMB Act and Government Resolution of July 1995 resulted in unfruitful investment of public funds for more than five years and consequential loss of Rs.2.34 core as of 16 January 2004.

The matter was reported to Government in March 2003, the reply was awaited (December 2003).

4.6.6 Unfruitful expenditure and lack of safety arrangement

Non-observance of safety norms in the yard caused frequent accidents and loss of human life

GMB has the responsibility to ensure observance by the ship breakers of all the safety rules and regulations framed by the State and Central Governments from time to time. Beaching permission for breaking of vessel at the seacoast was subject to assurance from ship breakers to observe full safety conditions. Due to frequent occurrence of accidents and fire, causing death of the workers at ship breaking yards of Alang and Sosiya, Audit conducted (June 2003) a review on implementation of safety norms by GMB.

Records of GMB, Port Officer, Alang and other[♥] agencies responsible for implementation of safety regulations revealed (June 2003) as under:

- GMB had entered (June 1997) into a Memorandum Of Understanding (MOU) with Gujarat Ship Breakers Association (GSBA) and Sosiya Ship Breakers Association (SSBA) which contemplated study of various statutes[▲] by an expert committee consisting of officials from GMB, Controller of Explosives, Chief Inspector of Factories, Labour Commissioner, District Magistrate and representatives of GSBA etc. to provide general guidelines to the ship breakers and GMB for effective implementation of safety conditions. However, no committee was formed and no report on safety measures was made.
- Cutting operations was required to be carried out under the technical supervision of qualified supervisors to be engaged by the ship breakers. However, safety officer was not employed by any of the plot holders and on 50 *per cent* plots, no supervisor existed.
- Sixteen out of 43 supervisors appointed on 86 plots between April 1999 and May 2003 were untrained. As a result 434 fire and other accidents occurred between April 1996 and May 2003 causing 209 deaths.

[♥] Sr.Factory Inspector, Asstt. Labour Commissioner, Police Sub-Inspector, Alang, Notified Area officer

[▲] Explosives Act 1984, Petroleum Storage Act, Factory Act 1949, Gas Cylinder Rules, Pressure Vessel Rules, etc.

- GMB incurred an expenditure of Rs.32.32 lakh between November 1997 and January 2000 on preparation and issue of 29708 barcoded Identity Cards (ID cards) to the workers employed by ship breakers. Ship breakers were to install electronic card decoder machine on their plots for these cards, but this was not mentioned in the MOU. Consequently, ship breakers did not install the card decoder machine and the ID cards purchased at a high cost could not be put to use.
- The Government while justifying the expenditure stated (October 2002) that the ID cards were provided as per the directives of High Court. This was not tenable as the High Court had only directed the GMB to ensure issue of identity cards to the workers. Basically the workers are the employees of the shipbreakers and it was their responsibility for providing ID cards and maintenance of proper records. Instead of ensuring the issue of ID cards by the shipbreakers, the GMB had undertaken to issue the ID cards. Further the ship breakers had failed to install the card decoder machine also. This was also not insisted on by GMB by denial of beaching permission of the vessel.
- Fire brigade station under the control of Notified Area Officer, Alang, was constrained by shortage of staff and unfit fire equipments. Fire fighters (two), water tankers (two) and fire pump (one) were out of order for more than two years (May 2003). There were thirteen vehicles of which eleven had no fitness certificate from RTO. As against requirement of 36 pump operators-cum-drivers, 12 jamadars and 90 firemen, only one operator, three jamadars and 17 firemen were available, one fourth of whom were unqualified.
- The port area lacked sanitation and drainage facilities.
- Unauthorised electric connections and electric short-circuit caused fire accidents leading to loss of life and property.
- A special court was set-up for immediate disposal of the criminal cases lodged for breach of Factory Act. However, cases involving heavy compensation have to be filed in the higher courts since the special court has the power to dispose of cases involving compensation upto Rs.5000/- only.
- Consequently, 418 cases preferred in higher court were pending disposal for one to fifteen years. Similarly, 59 police complaints involving death of 89 workers were pending in the higher courts from one to five years.

Thus, besides irregular expenditure of Rs.32.32 lakh, there was laxity in ensuring implementation of safety norms and provisions of safety regulations by GMB, being the authority empowered to make regulations on various matters envisaged under Section 110 of the GMB Act 1981, which includes ensuring the safe, efficient and convenient use of the port property etc.

SOCIAL JUSTICE AND EMPOWERMENT DEPARTMENT

4.6.7 Irregularities in purchase of fabric for uniform

Delay in finalisation of tender, undue favour in selection of supplier, sub-standard supplies of clothes and non-distribution defeated the very purpose of supplying uniforms to the students besides loss of Rs.1.63 crore

In order to bridge the gap of literacy level among Schedule Tribe (ST), minority and nomadic tribe and other backward community (OBC), Government in Social Justice and Empowerment Department (SJ & ED) was providing, two pairs of readymade uniforms to the primary school students of ST/OBC communities from 1997-98. The Department decided (September 2000) to provide cloth for two pairs of uniform valued at Rs.110 and cash amount of Rs.40 towards stitching charges in lieu of readymade uniform from the academic year 2000-01. The purchase of fabric was to be made through Central Stores Purchase Organisation (CSPO). Principal Secretary, Tribal Development Department was the head of Secretaries Purchase Committee (SPC) constituted for the purpose.

Based on indents received (December 2000) from two[♥] indenting officers for supply of cloth for uniforms to 37.75 lakh students, CSPO floated (January 2001) tender enquiry for purchase of cloth for shirting and suiting and finalised (October 2001), after a delay of 10 months, contracts with six manufacturers/suppliers for supply of 67.14 lakh metre fabric for shirting @ Rs.24.30 per metre and 41.57 lakh metre fabric for suiting @ Rs.54.08 per metre.

Scrutiny of records of CSPO revealed (May 2002) that:

- As per the conditions of tender, the turnover of textile manufacturer offering fabric in any one year during last two years should not be less than the offered value of stores under tender enquiry. M/s Rainbow Texturiser Ltd., who had commenced production only in September 2000, having turnover of Rs.4.87 crore during first four months, was awarded (December 2001) contract for supply of shirting valued at Rs.8.87 crore *in violation of terms of tender*.
- The firm did not supply fabric by stipulated date of 12th March 2002 despite reminders. Consequently, when action for forfeiting security deposit (SD) was initiated (May 2002), it was found that the SD of Rs.48.80 lakh furnished in the form of bank guarantee (November 2001) from a nationalised bank was bogus.
- A police complaint was lodged (July 2002) against the supplier for tendering bogus guarantee. Non-confirmation of bank guarantee before issue of supply order thus resulted in loss of Rs.48.80 lakh.

[♥] Commissioner, Tribal Development Gandhinagar, and Director, Development and Tribal Welfare Department, Gandhinagar.

- Out of remaining five suppliers, two[#] suppliers could supply only 48-50 *per cent* of quantity of fabrics ordered^{*} till December 2002, against stipulated date of 13/ 24 March 2002. Against which Rs.2.06 crore was paid to the suppliers[^] till December 2002.
- After the matter was entrusted to CBI, based on complaints, it was revealed in their report (August 2002) that the fabric supplied was sub-standard and not conforming to the specification. The suppliers had entered into sub-contract with other parties against the terms of contract agreement and distributed the cloth in lumps instead of cut pieces as required and without any identification marks of the manufacturer.
- SPC in its meeting of September 2002 directed the indenting officers not to accept any further stores from these suppliers and to withhold payment of Rs.3.14 crore.
- As per the terms of contract, liquidated damages (LD) at the rate of 1/2 *per cent* per week subject to maximum 5 *per cent* of value of stores ordered was leviable for quantity short supplied. Four[@] suppliers had supplied stores late by 39 to 40 weeks for which LD of Rs.1.14 crore was not recovered.
- Due to non-receipt of indented quantity of fabric in respect of Tribal Development Department, the distribution of uniform could not be done. However, the Department paid Rs.59.60 lakh as stitching charge to 1.35 lakh students of eight districts.
- Out of the total shirting (32.72 lakh metre) and suiting (35.27 lakh metre) cloth received, 50073 metre valued at Rs.17.90 lakh remained to be distributed as on March 2003. The Department decided to pay Rs.150 in cash to each student in lieu of uniforms from academic year 2001-02. As such there was no possibility of distribution of above materials.

Thus, due to intrasparent tendering procedure, lack of adequate monitoring mechanism and absence of internal control systems, the very purpose of the scheme of providing uniforms to ST/OBC students was defeated. Further, there was loss of Rs.48.80 lakh due to forged bank guarantee.

The matter was reported to Government in April 2003; reply was awaited (December 2003).

[#] M/s Vishal Fabrics (P) Ltd. Ahmedabad, M/s Mafatlal Industries Mumbai.

^{*} Vishal trading 5.66 lakh metre suiting valued at Rs.3.06 crore, Mafatlal Industries 8.82 lakh metre shirting valued at Rs.2.14 crore.

[^] Vishal fabric Rs.84.06 lakh, Mafatlal Industries Rs.122.29 lakh

[@] M/s Mangal Textiles, Ahmedabad, M/s Jagdamba Textiles, Ahmedabad, M/s Vishal Fabrics and M/s Mafatlal Industries

HOME DEPARTMENT

4.6.8 Lack of response to Audit findings

Lack of response to audit findings facilitated defaulting officer in continuation of serious financial irregularities

Accountant General (Audit) – (AG (Audit)) conducts periodical inspection of the Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. Following these inspections, Inspection Reports (IRs) are issued to the Heads of departments with a copy to the offices inspected. Government rules provide for prompt response to ensure corrective action and accountability. Serious irregularities are also brought to the notice of the Heads of the Departments by the Office of the AG (Audit). A half-yearly report is sent to the Secretary of the Department in respect of pending IRs, to facilitate monitoring.

Inspection Reports issued upto March 2003 pertaining to the Home Department disclosed that 1179 paragraphs relating to 338 IRs remained outstanding at the end of September 2003. Year-wise position is as given below:

Year	Inspection Reports	Paras
Upto 1998-1999	202	548
1999-2000	37	136
2000-2001	27	123
2001-2002	39	198
2002-2003	33	174
Total	338	1179

Of these, 33 IRs containing 66 paragraphs had not been settled for more than 10 years.

Even the initial replies, which were required to be received within four weeks from the date of issue of IRs, were not received in respect of 96 IRs. Following categories of serious irregularities involving money value of Rs.1145.47 crore commented upon in these IRs had not been settled as of September 2003.

(Rupees in crore)

Sr.No	Nature of irregularities	Number of paragraphs	Amount
1	Short recovery / Outstanding dues	116	835.84
2	Idle equipment/ Machinery	146	3.47
3	Irregular/Excess expenditure	157	226.16
4	Blockage of Government money	16	24.80
5	Non recovery	102	3.42
6	Diversion of Funds/Avoidable expenditure	21	21.00
7	Miscellaneous	621	30.78
	Total :	1179	1145.47

Lack of proper action against the defaulting officers facilitated the continuation of serious financial irregularities and loss to the Government though these were pointed out in Audit.

It is recommended that Government should review the matter so that executive responsiveness to audit observations and findings at higher level is prompt. Government should also ensure that procedure exists to take (a) action against the officials who failed to send replies to IRs/Paras as per the prescribed time schedule and (b) follow up action to recover loss/outstanding advances/overpayments in a time bound manner.

The matter was reported to Government in November 2003; reply has not been received (December 2003).