

CHAPTER IV

AUDIT OF TRANSACTIONS

Audit of transactions of departments of the Government, their field functionaries as well as that of autonomous bodies brought out several instances of ineffective management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

4.1 Fraudulent drawal/misappropriation/embezzlement/ losses

Departments of Public Health, Revenue & Forests and Medical Education & Drugs

4.1.1 Misappropriation of Government money/fraudulent payment

i) Government in Public Health Department permitted (January 2002) all the Rural Hospitals (RH) to operate a Personal Ledger Account (PLA) for crediting the fees collected from patients. Test-check (August 2006 to March 2007) of the records of the Medical Superintendent, Rural Hospital, Kandhar, District Nanded disclosed that the cashbook of RH for the period from 18 June 2002 to 30 September 2004 was not maintained. Scrutiny of receipt books of the RH disclosed that during this period the Junior Clerk of the RH who was also working as cashier collected Rs 9.01 lakh from patients, of which Rs 7.34 lakh was remitted by him to PLA. Medical Superintendent, RH, Kandhar became aware of the short remittance of Rs 1.67 lakh only when it was pointed out (August 2006) in audit. Thus, improper maintenance of cashbook facilitated misappropriation of Rs 1.67 lakh by the Junior Clerk.

Medical Superintendent, RH, Kandhar confirmed (March 2007) the misappropriation and stated that Rs 0.38 lakh collected during 20 December 2003 to 17 February 2004 had been credited to PLA in February 2007. Action against the erring official was, however, not taken (March 2007).

ii) Scrutiny (April 2007) of the records of the Chief Conservator of Forests (CCF) Territorial, Pune disclosed that the CCF passed (July and October 2006) two fraudulent medical reimbursement claims preferred by a Forest Guard (Shri B. S. Machale) for treatment of his wife (gynaecological emergency from 24 to 30 May 2005) and for mother (dog bite treatment from 15 to 30 June 2005) in Sonone Surgical and Ophthalmic Hospital, Daund, Pune. The claimant inflated the claims by Rs 18,673 through overwriting in the bills which were paid by CCF. The

claimant again claimed Rs 23,995 for treatment of his mother in the same hospital during the same period, which was also paid (June 2006) by the CCF from 'contingencies' in violation of the Maharashtra Treasury Rules, 1968.

The claimant, thus, claimed Rs 42,668 by fraudulent means which the CCF failed to notice and disallow.

The matter was reported to the Principal Chief Conservator of Forests for investigation in May 2007. Reply had not been received (August 2007).

iii) In another case, the Dean, J.J. Group of Hospitals¹ reimbursed (29 July 2004) Rs 10,000 to a patient against purchase of medicines worth Rs 12,290. It was noticed from the cash memo (number 27696 dated 26 June 2004) attached with the claim that the amount was changed from Rs 290.50 to Rs 12,290. It was confirmed by the Chemist, from whom the medicines were purchased, that he had issued the said cash memo (number 27696) for Rs 290.50 on 4 March 2004. This indicated that the cash memo was fabricated and fraudulent.

The Dean, accepted the audit point and stated (June 2007) that due to heavy workload the cashier had accepted the receipts submitted by the relatives of the patient without proper verification and the hospital had no connection with it. The reply was not tenable because it was the duty of the hospital authorities to carefully verify the cash memo before making the payment.

The matter was reported to the Principal Secretary to the Government in August 2007. Reply had not been received (August 2007).

4.2 Excess payment/wasteful/infructuous expenditure

Environment Department

4.2.1 Wasteful expenditure on procurement of air conditioning system

Expenditure of Rs 42.60 lakh incurred on procurement of centralised air conditioning system in Maharashtra Pollution Control Board, Mumbai was rendered wasteful.

The Maharashtra Pollution Control Board (MPCB) decided (June 1999) to purchase office premises admeasuring 21,301 square feet (sq ft) in Kalpataru Point at Sion (E), Mumbai at the rate of Rs 7,800 per sq ft from a private developer. MPCB also decided to avail of facilities like a centralised air conditioning (AC) system at Rs 200 per sq ft offered by the developer. An

¹ A Government Hospital, rendering free treatment to the poor patients

agreement for sale between the developer and MPCB was entered into in January 2000. The MPCB paid (between August 1999 and January 2001) Rs 17.16 crore including Rs 42.60 lakh for the centralised AC system and took possession of the premises in January 2001.

In May 2001, a Furnishing Committee was constituted to look into the furnishing requirements of the Board's new office premises. The Committee estimated the expenses required for running the AC system to be at Rs 1.82 lakh per month, while expenditure for running split ACs for the conference hall and other cabins was Rs 54,000 lakh per month. It was, therefore, decided (October 2001) to dismantle the centralised AC system and install split ACs as monthly recurring expenditure would be reduced by Rs 1.28 lakh.

Scrutiny (March and June 2007) disclosed that the centralised AC system was never put into operation due to non-completion of the furnishing work. The system was dismantled in February 2002 and sold only for Rs 1 lakh. Subsequently, 20 split ACs at a cost of Rs 6.18 lakh were purchased and installed in April 2002. Thus, due to poor planning, expenditure of Rs 42.60 lakh incurred on acquisition of the centralised AC proved to be wasteful.

The Member Secretary of MPCB stated (June 2007) that the Furnishing Committee had suggested (October 2001) not to go for the centralised AC system, apprehending major recurring expenditure on electricity and operating costs.

The reply was not tenable as the Board should have considered the low cost of running the split AC before agreeing to accept the facility of centralized AC from the developer. Besides, the area covered by split AC was only 18 *per cent* (2,700 sq ft) of the 15,000 sq ft carpet area covered by the centralised AC.

The matter was reported to the Principal Secretary to the Government in July 2007. Reply had not been received (August 2007).

Higher & Technical Education Department

4.2.2 Short recovery of licence fees on Government quarters

Short recovery of Rs 57.21 lakh due to non-revision of licence fees in respect of quarters allotted to teaching/non-teaching staff was noticed in Pune University.

University of Pune (University) had been receiving *cent per cent* salary grant from the State Government since 1981. The University had allotted 254 quarters to its teaching and non-teaching staff for which licence fees were being recovered.

The Maharashtra Non-Agricultural Universities and Affiliated Colleges Standard Code Rules, 1984 specified the terms and conditions of service of the staff. As per the Code, the allowances were to be such as might be sanctioned

by the Government from time to time to its employees working in equivalent scales of pay.

According to the provision of the Bombay Civil Services Rules, 1959, a government servant who was provided with government accommodation at the place of his duty had to pay licence fee equal to 10 *per cent* of his emoluments or the standard rent of accommodation, whichever was less. The licence fee so recoverable was revised by the Government in April 2001.

Scrutiny (November 2004 and May 2007) showed that the University was recovering the fees at the old rates though the Government had revised the rate of licence fees from April 2001. This resulted in short recovery of licence fees of Rs 57.21 lakh from 1 April 2001 to 31 March 2007.

The Deputy Finance Officer, University of Pune stated (May 2007) that a proposal to recover licence fees at the revised rates was being submitted to the higher authorities, in consultation with the Finance Department.

The reply was not tenable because as per the provisions of the Maharashtra Non-Agricultural Universities and Affiliated Colleges Standard Code Rules, 1984, all Government orders regarding pay and allowances to staff were applicable to the University staff as well, and the recovery of licence fees should have been made at the revised rate.

The matter was reported to the Principal Secretary to the Government in July 2007. Reply had not been received (August 2007).

Medical Education and Drugs Department

4.2.3 Wasteful expenditure on purchase of oxygen concentrator

Failure of Superintendent, Cama & Albles Hospital to ensure effective functioning of an oxygen concentrator resulted in wasteful expenditure of Rs 34.08 lakh on its purchase, maintenance and repairs.

To provide uninterrupted supply of pure oxygen to patients, the Superintendent, Cama & Albles Hospital, Mumbai purchased (June 1996) a Central Medical Gas System (oxygen concentrator) costing Rs 25 lakh from a private company and installed it during the same month. The system generated oxygen from the atmosphere and provided uninterrupted supply of oxygen to the entire hospital through pipelines. The supplier agreed to provide a minimum guarantee of two years and enter into an annual maintenance contract (AMC) at 2 *per cent* of the tendered cost, thereafter. The average life of the system was approximately 15 to 20 years.

Scrutiny (March 2006) of the records of the Superintendent of the Hospital, showed that the hospital had entered (October 1997) into an AMC with the company and that the system was running up to March 2001. From April 2001 the supplier refused to renew the AMC due to non-payment of bills amounting to Rs 2.98 lakh. From April 2001 to March 2005 the machine became out of

order time and again and was functional only for 19 months. During this period Rs 9.08 lakh was spent on maintenance and repairing of it. The machine was out of order since April 2005.

Thus, the failure of the hospital authorities to ensure that the system performed effectively resulted in wasteful expenditure of Rs 34.08 lakh. Besides, the authorities had to procure oxygen cylinders, as a result of which they incurred Rs 51.33 lakh on refilling the cylinders from April 2001 onwards.

The Superintendent stated (May 2007) that in spite of several requests, the company did not respond and requested (April 2002) the Director of Medical Education and Research, Mumbai to blacklist it. She further stated that the system had never given oxygen concentration of 99 *per cent*, since its installation.

The reply was not tenable because if the machine had not been functioning properly from the date of its installation, action should have been taken immediately to get it replaced within the guarantee period of two years, which was not done.

The matter was reported to the Secretary to the Government in May 2007. Reply had not been received (August 2007).

Public Works Department

4.2.4 Wasteful expenditure on a road work

Wasteful expenditure of Rs 35 lakh was incurred by Executive Engineer, World Bank Project Division, Pune on a work of widening of a road length which came under the jurisdiction of Pune Municipal Corporation.

The limits of Pune Municipal Corporation (PMC) were extended in September 1997 after which, the road length from km 7/200 to km 10/600 of the Pune-Ahmednagar State Highway (SH 60) came under the jurisdiction of the PMC.

Scrutiny (June 2006) of the records of the Executive Engineer (EE), World Bank Project Division, Pune showed that the work of four laning of the road from km 10/600 to km 64/00 of SH 60 was taken up in May 2003 under a build, operate and transfer (BOT) scheme. As the road length from km 7/200 to km 10/600 fell under the limits of PMC, the same was not included in the BOT work.

The EE, however, awarded the work of widening road length from km 7/200 to km 10/600 of SH 60 by extending the existing road by three metres on either side including construction of culverts (May 2005) to a contractor for Rs 53.56 lakh with the stipulated date of completion as 15 November 2005.

In July 2005, the EE urged the Commissioner, PMC to take over this length of the road. He continued the work till the Additional City Engineer (Project) PMC informed (November 2005) that the said length was being considered for concretisation. The Commissioner also requested the PWD to stop the work and hand over the same to PMC immediately. Till November 2005, the contractor executed work of only water bound macadam on three metres on either side of the existing road at a cost of Rs 35 lakh. It was also noticed that PMC issued a work order for concretisation of the said road length in December 2005.

Thus, the expenditure of Rs 35 lakh incurred on the work was rendered wasteful as the work already executed was to be dug up for concretisation.

The Secretary stated (October 2007) that though the municipal limits of PMC were extended in September 1997, PMC neither took over the road length nor informed the Public Works Department about the widening and concretisation of the same till November 2005. Further, on hearing from PMC regarding this in November 2005, the work was stopped after bringing it to a safe stage. The Secretary also stated that the constructed road was being used for traffic and construction work of four lanes was in progress on either side of it.

The reply is not tenable because the Government was aware that the limits of PMC were extended in 1997. Due to this reason, this road length was excluded from the work of four-laning of the road work executed (May 2003) under BOT. As such, PMC should have been consulted before taking up this work. Besides, the reply is silent on the fact that the constructed road would have to be dug up for concretisation, rendering the expenditure incurred on it wasteful.

Revenue and Forests Department

4.2.5 Excess payment of land compensation

Failure of Special Land Acquisition Officers to take into account the advance payment made to the land owners resulted in excess payment of land compensation amounting to Rs 1.87 crore.

According to Section 23 of the Land Acquisition Act (Act), 1894 (as amended from time to time), in addition to the market value of the land, an amount calculated at the rate of 12 *per cent* per annum of the market value of the land acquired (additional component) was payable from the date of notification under Section 4 of the Act to the date of declaration of the award or the date of taking possession of the land, whichever was earlier.

Notifications for acquisition of land and houses by five² Special Land Acquisition Officers (SLAOs) for three³ irrigation projects in Aurangabad and

² SLAO, Jayakwadi Project, Aurangabad; SLAO, Benefited Zone, Yavatmal; SLAO, Road Project Zilla Parishad, Yavatmal; SLAO, Bembla Project, Yavatmal; SLAO, Minor Irrigation (Works) II, Yavatmal

Yavatmal Districts were issued between August 1997 and January 2004 and final awards for Rs 34.18 crore were declared between February 2005 and January 2007. Scrutiny (January to May 2007) of the awards in audit revealed that against the admissible additional component of Rs 4.81 crore, the SLAOs erroneously allowed Rs 6.68 crore till the date of declaration of final award without deducting the advance payment made earlier (17 to 98 months before declaration of the award). This omission led to excess payment of land compensation of Rs 1.87 crore (**Appendix 4.1**) to the landholders.

SLAOs stated (March 2007 and May 2007) that the payment was made as per the directives of the Government.

The reply was not acceptable as the SLAOs failed to take into account the advance payment and there was no financial propriety in allowing the additional component on the amount which had already been paid to the landholders.

The matter was reported to the Principal Secretary to the Government in May 2007. Reply had not been received (August 2007).

School Education Department

4.2.6 Excess payment of transport allowance

Payment of transport allowance to teaching staff of schools and junior colleges for the vacation period resulted in excess payment of Rs 3.69 crore in five districts.

Government approved payment of transport allowance (TA) to its employees with effect from 1 October 1998 to compensate the cost of traveling between their place of residence and their place of duty. The allowance was not admissible during absence from duty exceeding 30 days due to leave, training, tour *etc.* Government further clarified (May 2003) that when the period of absence exceeding 30 days fell in more than one calendar month, the same was to be considered continuously and TA for each month was to be disallowed proportionately based on the period of absence in each month.

Scrutiny (April and June 2006) of the records of the Education Inspector, North Zone, Chembur, Mumbai and the Education Inspector, West Zone, Jogeshwari, Mumbai and the information obtained (January 2007 to May 2007) from the Education Inspector, South Zone, Girgaum, Mumbai, Education Officers (Secondary) and Superintendent, Pay Unit (Secondary) of five⁴ districts showed that during the period 2003-06, the summer vacations in

³ Wakod Medium Project and Sillegaon Minor Irrigation Project in Aurangabad District and Bembla Project in Yavatmal District

⁴ Education Officer (Secondary), Pay Unit, Satara, Superintendent Pay Unit (Secondary), Kolhapur, Education Officer (Secondary), Pay Unit, Sangli, Education Officer (Secondary), Pay Unit, Solapur and Education Officer (Secondary), Pay Unit, Thane.

schools and junior colleges fell between 2nd May and 12/13th June of the respective years. The schools and junior colleges were, therefore, continuously closed for periods of more than 30 days during May and June. The authorities disallowed TA for the month of May and granted full TA to the teaching staff of the schools and junior colleges for the month of June every year, despite issue of clarification by the Government in May 2003. This resulted in excess payment of TA of Rs 1.41 crore for the period from 2003-04 to 2005-06. The excess payment on this account for the earlier years from 1999-2000 to 2002-03 worked out to Rs 2.28 crore. Thus the total excess payment on this account was Rs 3.69 crore.

On this being pointed out by Audit, an amount of Rs 64.63 lakh was recovered till July 2007, by two⁵ offices.

The matter was reported to the Secretary to the Government in April 2007. Reply had not been received (August 2007).

Water Resources Department

4.2.7 Wasteful expenditure due to ill planning

Execution of a part of a work even when the land required for other part of the work was not made over to the Department resulted in wasteful expenditure of Rs 1.65 crore.

Provisions of the Maharashtra Public Works Manual stipulated that no public work on a land not made over to the Government should be taken up. Further, the project authority was required to deposit in advance the Net Present Value (NPV)⁶ of the forests land being diverted for non-forest purpose from 29 October 2002 under the Forests (Conservation) Act, 1980.

Tapi Irrigation Development Corporation, Jalgaon (TIDC) had administratively approved (July 1999) the Kurha-Vadoda lift irrigation scheme (Scheme) for Rs 207.08 crore. The Executive Engineer (EE) Minor Irrigation Division, Jalgaon was to execute the scheme in two stages. The first stage was construction of lift irrigation for lifting water from Purna River to storage tank at Charthana. For this purpose an earthen dam, involving submergence of 433 hectares of forests land, was to be constructed in Stage II. Before taking up the construction of the earthen dam, clearance from Government of India (GOI) for diversion of the forest land for non-forestry use was to be obtained. Work of stage I was taken up (July 1999) with the approval of TIDC at an estimated cost of Rs 71.50 crore for completion by July 2006, while the

⁵ Superintendent Pay Unit (Secondary), Kolhapur and Education Inspector, North Zone, Chembur, Mumbai.

⁶ Net present value of forest is the value of the land depending upon the canopy density of the land in question converted for non-forests use

stage II work including the work of obtaining forest clearance from GOI was taken up (October 1999) at an estimated cost of Rs 56.40 crore.

Scrutiny (August 2006) of the records of EE showed that the proposal for obtaining forest clearance for the storage tank was submitted to the State Forests Department in August 2002 and Rs 41.97 crore (against Rs 2.99 crore provided in the project report) were to be paid towards NPV. As this expenditure would have made the scheme unviable, the EE moved (March 2005) a proposal for an alternate site for locating the storage tank to which approval of the Chief Engineer, Irrigation Region, Nashik was awaited (May 2007). Meanwhile expenditure of Rs 1.65 crore (upto February 2006) on designing of the rising main and survey for deciding the alignment for laying of pipes carrying water to the storage tank at old location was made. Thus, due to the TIDC's decision (July 1999) to commence the stage I of the work without having the possession of the land for stage II of the work, expenditure of Rs 1.65 crore on stage I was rendered wasteful.

Executive Director of TIDC stated (March 2007) that some part of the work would be utilised for the new location of the storage tank. The reply was not tenable, as the relocation of the site of the storage tank would require a fresh survey for deciding the alignment of rising main and other allied activities.

The matter was reported to the Secretary to Government in May 2007. Reply had not been received (August 2007).

4.2.8 Excess payment to a contractor

Failure to pay as per the agreed rates for back filling with pervious material led to excess payment of Rs 67.07 lakh to a contractor.

Mechanical Department's schedule of rates (SR) for use of departmental machinery stipulated that these rates should be applied only for the department's works executed through own machineries and should not be used for works executed through contractors.

Construction of a part of the masonry dam and power outlet of Upper Pravara project at Nilwande (Taluka Akole-District Ahmednagar) was awarded (April 1995) to a contractor on item rate tender for Rs 35.63 crore. While awarding the work the Government had made it clear that 'the contract was for execution of a certain portion of the finally contemplated taller and wider dam'. The contractor was advised to keep this aspect in view while quoting his rates 'as the quantities of some of the items were likely to increase if the Government decided to construct the dam for its full width'. Subsequently, the Government entrusted (May 2000 and July 2003) the remaining work of the dam costing Rs 121.93 crore to the contractor for completion by June 2005 (extended upto June 2008).

As per the schedule of quantities, 1,29,809 cubic metres (cum) at the rate of Rs 30 per cum was the estimated quantity under item 24 for 'providing and

laying back filling with approved material from borrow area with all leads and lifts *etc.*, complete'. Scrutiny (March 2006) of the records of the Executive Engineer (EE), Upper Pravara Dam Division, Sangamner, however, showed that for execution of 52348.942 cum of quantity under this item of work, the EE had paid (upto April 2007) Rs 82.77 lakh to the contractor, instead of Rs 15.70 lakh. The payment was made based on Extra Item Rate Lists (EIRLs) sanctioned (March 2004 and April 2005) by the Superintending Engineer (SE) and Administrator, Command Area Development Authority, Ahmednagar for this item⁷ executed at the down stream of the masonry dam by adopting the rates in the SRs of the Mechanical Department. As the SRs of the Mechanical Department were not to be adopted for works executed through contractors and even the estimated quantity under the item was not executed, sanction to the EIRL by the SE was uncalled for. This led to excess payment of Rs 67.07 lakh to the contractor.

The Chief Engineer, North Maharashtra Region, Nashik stated (April 2007) that enormous quantity of back filling, its depth, lead and lift had necessitated the use of sophisticated machinery for back filling. Hence, the EIRL contemplating use of machinery for execution of the work was derived from the rates in the SRs of the Mechanical Department.

The reply was not acceptable as the contractor was made aware by Department, of the likely increase in the scope of the work before award of the work. He was required to execute the work at agreed rates when the additional work was entrusted to him. Moreover, the upto date executed quantity of backfilling (73,316.387 cum) was less than the quantity estimated (1,29,809 cum).

The matter was reported to the Secretary to the Government in May 2007; their reply had not been received (August 2007).

4.2.9 Excess payment over the tendered rate

Payment of extra item rate list for work already covered within the scope of tendered items, resulted in excess payment of Rs 64.56 lakh.

According to the provisions of the Maharashtra Public Works Manual, Executive Engineers are authorised to sanction the execution of items of work not provided for in regular tenders on Extra Item Rate List (EIRL).

The work of construction of earthen dam, waste weir, approach and tail channel and head regulator of Loni Dhawalgiri Minor Tank at Warud, District Amravati was awarded to a contractor (July 2003) at 0.01 *per cent* below estimated cost of Rs 11.97 crore, with the stipulated period of completion being 60 months. The special conditions of the contract prescribed that the contractor should be deemed to have fully acquainted himself with the work and site conditions before submission of the offer for the work. The excavated

⁷ Back filling with pervious material

materials not to be used by the contractor or stacked for his use and materials remaining unused at the site after completion of work were to be disposed of by the contractor at his cost in the manner and at the places as directed by the Engineer-in-charge.

Scrutiny (December 2005) of the records of the Executive Engineer, Irrigation Division, Amravati (EE) showed that the contractor was paid Rs 64.56 lakh under an EIRL towards excavation in hard strata in wet conditions and disposing of the excavated material. The special conditions of contract, however, did not provide for any separate payment on this account and work done was covered by two items (number one and two) of the tender which read as ‘excavation in dry and wet condition, stacking the material as directed or reusing it directly with all lead and lift’. The contractor was, therefore, not entitled to any extra payment over the tendered rates. Thus, violation of contractual obligations by the Executive Engineer resulted in excess payment of Rs 64.56 lakh to the contractor.

The EE admitted (February 2007) that his office had released additional payment despite the knowledge that the item under EIRL was covered by item number one and two of schedule B on the ground that the contractor had encountered unknown physical conditions differing materially from those ordinarily encountered at the time of submitting the undertaking.

The matter was reported to the Principal Secretary to the Government in March 2007. Reply had not been received (August 2007).

4.3 Violation of contractual obligations/undue favour to contractors/avoidable expenditure

Co-operation and Textiles Department

4.3.1 Avoidable expenditure on payment of interest

Failure to fix the upset price of a property and to consider the prevailing market rate of land while accepting the offer of a contractor and subsequent cancellation of the offer resulted in payment of interest of Rs 1.30 crore to him.

As all efforts to revive the Aurangabad Zilla Kapus Utpadak Sahakari Soot Girni Limited (AZKUSSGL)⁸, Aurangabad, under liquidation from August 1992 failed, the Regional Deputy Director, Handloom, Powerloom and Textiles, Aurangabad who had been appointed (1992) as the Liquidator by the Director of Handloom and Powerloom, invited (November 1998) tenders for

⁸ Aurangabad District Cotton Growers Co-operative Spinning Mills Limited

sale of its property. The upset price of the property⁹, mainly comprising of 43.11 acres of land was, however, not indicated in the tender notice. The Liquidator received (January 1999) two valid tenders for the property.

The negotiated tender of M/s Rajureshwar and Associates, Jalna (bidder) was accepted (October 2000) for Rs 7.81 crore. While accepting this offer, the Liquidator did not consider the prevailing market rate of land (Rs 1,295 per sqm), at which the land cost should have been Rs 22.59 crore. The bidder executed (November 2000) an agreement with the Liquidator and paid the bid amount between November 1999 and April 2001.

In the meantime, a former Member of Parliament requested (December 2000) the Chief Minister (CM) for allotment of the land at a higher cost, following which, the CM opined (January 2001) that the land could fetch a higher price and ordered its re-tendering. The Government consulted the Law and Judiciary Department, which felt (April 2001) that termination of the agreement of sale could lead to a dispute and the bidder could approach the court of law and claim interest on the amount deposited by him. However, at a meeting convened (November 2001) by the CM, it was decided to cancel the bid on the grounds that the bid amount was very low. As directed by the Co-operation and Textiles Department, the City and Industrial Development Corporation was appointed (November 2001) as the Liquidator by the Director, by removing the existing Liquidator and was asked to develop a sports complex on the land and settle all the statutory dues. However, as of August 2007, the development of the sports complex was still in progress and an expenditure of only Rs 7.33 lakh was incurred on the same.

As the sale deed was not executed, the bidder filed (2001) a writ petition in the Aurangabad bench of the High Court. The writ petition was dismissed, but the High Court ordered (April 2002) the Liquidator to pay simple interest at the rate of 11 *per cent* per annum on the amount deposited by the bidder within four weeks from the date of the decision. The Supreme Court also upheld (July 2004) the decision of the High Court.

Scrutiny (January 2006) of the related records in the Co-operation and Textiles Department revealed that the principal amount of Rs 7.81 crore, along with interest of Rs 1.83 crore was refunded to the bidder between August and November 2004. The interest included an amount of Rs 0.53 crore earned by the Department by keeping the amount in an interest bearing deposit account.

Thus, the failure to fix the upset price of the property and incorporate it in the tender notice and acceptance of a low bid without considering the prevailing market rate of land in the locality necessitated subsequent cancellation of the tender. This resulted in avoidable expenditure of Rs 1.30 crore on payment of interest on the bid amount deposited by the bidder.

⁹ Main factory building, cotton godown, waste godown, store room machinery, furniture and fixtures and open land.

The matter was reported to the Principal Secretary to the Government in April 2007. Reply had not been received (August 2007).

Finance Department

4.3.2 Failure in enforcement of contractual provisions

Failure to enforce contract provisions resulted in non-recovery of Rs 14.06 crore.

Government decided (September 2003) to restart its online lottery scheme on account of its commercial potential and revenue earning capacity. Consequently, the Commissioner of Small Savings and State Lottery (Commissioner) entered into an agreement with an agent in October 2004.

Scrutiny revealed (January 2006) that the agent started operations from July 2005 and surrendered the agency on 18 September 2006. The Commissioner issued (January 2007) a demand notice for Rs 21.03 crore to the agent. The amount has not been recovered as of August 2007. Scrutiny revealed that the dues had actually accumulated due to the failure of the Commissioner to ensure adherence to the contract conditions by the agent, as explained below.

As against the minimum assured price (MAP) of Rs 25 crore in the first year and Rs 4.79 crore in the second year, the agent had paid only Rs 19.99 crore and Rs 0.48 crore respectively. Though there was a shortfall of Rs 9.32 crore in the payment of MAP, the Commissioner failed to obtain additional BG or encash the BG, equal to the amount of shortfall and obtain a fresh BG for the MAP as per the agreement.

The agent was to deposit with the Government an amount equivalent to all prizes as per the prize structure of the scheme before conducting any draw as stipulated in the agreement. However, as against the prize payout money of Rs 4.09 crore for the period 5 December 2005 to 15 December 2006 to be deposited by the agent, only Rs 0.33 crore was deposited, resulting in short deposit of Rs 3.77 crore.

The prize money amounting to Rs 3.45 crore which had not been won in earlier lottery draws was not rolled over to the next draws for distribution and not deposited with the Government. Unclaimed prize money to the extent of Rs 6.16 lakh was also not deposited with the Government.

The agent surrendered the licence on 18 September 2006 without giving either the mandatory notice period of six months or paying the MAP of Rs 12.50 crore for six months in lieu of the notice period as stipulated in the agreement.

Thus, the failure on the part of the Commissioner to enforce the contractual provisions in time resulted in non-recovery of Rs 29.10 crore. Considering the bank guarantee of Rs 12.50 crore and prize money deposit of Rs 2.54 crore available with the Department, net amount recoverable was Rs 14.06 crore.

The matter was reported to the Government in June 2007. Reply had not been received (August 2007).

Departments of Finance, Home and Medical Education and Drugs

4.3.3 Avoidable expenditure

Failure to install capacitors to maintain the power factor at the required levels resulted in avoidable expenditure of Rs 90.96 lakh in three offices.

Brihanmumbai Electric Supply and Transport Undertaking (BEST) supplies electricity to various government offices situated in the city of Mumbai. The Executive Engineer (EE), Public Works Department (PWD) (Electrical) maintains the electrical installations of the offices.

According to the power tariffs of BEST, effective from 15 July 1997, all C2¹⁰ type of consumers had to maintain the power factor (PF) at the required level of 0.97, failing which, Reactive Kilo Volt Ampere Hour (RKVAH) unit charges would be levied on them. Further, PF surcharge at appropriate rates was also leviable if the PF fell below the level of 0.92. BEST had suggested (December 1999) to the consumers to get capacitors installed to improve their Power Factor.

Scrutiny (April 2007) of electricity bills in the three¹¹ offices (who were C2 type consumers) disclosed that these offices paid RKVAH unit charges (Rs 72.39 lakh) and surcharge (Rs 18.57 lakh) for low PF during the period 2003-06, which resulted in avoidable expenditure of Rs 90.96 lakh.

The Director of Medical Education and Research, Mumbai and the Commissioner of Police, Mumbai stated (April and May 2007) that the matter had already been reported to EE, PWD (Electrical), Mumbai. Reply from the Commissioner of Sales Tax, Mumbai was awaited. The EE, PWD (Electrical) stated (April 2007) that all the Deputy Engineers and the Sectional Engineers had been directed to submit detailed proposals for installation of capacitors for all offices/buildings falling under their respective jurisdictions.

The matter was reported to the Principal Secretary to the Government in July 2007. Reply had not been received (August 2007).

¹⁰ Consumers provided with CT operated meters with a connected load of more than 100 KW and an average consumption of more than 3000 units per month

¹¹ Commissioner of Sales Tax, Mumbai (Rs 64.53 lakh); Commissioner of Police, Mumbai (Rs 17.73 lakh) and Director of Medical Education and Research, Mumbai (Rs 8.70 lakh)

Food, Civil Supplies and Consumer Protection Department

4.3.4 Irregular expenditure on transportation of paddy

Department made irregular payment of Rs 1.27 crore on transportation of paddy without verifying the genuineness of the claim.

The Government of Maharashtra (GOM) procured 8,910.76 MT of paddy during 2001-03 in Raigad District under Minimum Support Price Scheme of the Government of India (GOI) on behalf of the Food Corporation of India (FCI) through Maharashtra State Co-operative Marketing Federation Limited (Federation). The Department delayed the milling of the procured paddy and sought (May 2003) GOI's permission for sale of paddy on "as is where is basis" to avoid loss in processing and transportation of paddy. However, the GOI rejected (June 2003) the proposal of sale of paddy and advised the Department to process the paddy into parboiled rice and deliver the rice before November 2003.

The Food and Civil Supplies Department decided to convert the paddy into parboiled rice and approved (21 October 2003) transportation of paddy from Raigad District (Western Maharashtra) to Gondia/Chandrapur (Far South East of Maharashtra) where parboiled rice mills were situated. The Department approved transportation at rates of Rs 1.25 per tonne per kilometer. The average transportation cost worked out to Rs 1,430 per MT whereas the milling charges were only Rs 238.50 per MT and the price of parboiled rice was Rs 840.70 per MT. The Department incurred an expenditure of Rs 1.27 crore on transportation of paddy and Rs 21.25 lakh on milling charges even though the transportation was not done within the time (30 November 2003) stipulated by GOI. It was noticed that 77 per cent of the quantity was actually lifted after the deadline of the GOI of 30 November 2003. Further, the Department did not ensure the genuineness of the transportation claims by verifying the transportation/delivery/receipt challan documents and records at Octroi Naka and reimbursed the expenditure based merely on the certificate given by the Federation. The possibility of the rice being procured locally and supplied to the FCI by the mills, however, could not be ruled out.

Thus, the reimbursement of transportation claim of the Federation was made without verifying the genuineness of the claims. The Department stated (June 2007) that the transportation claims were passed as they were certified by the responsible officers of the Federation. The reply is not tenable as the Department passed the transportation claims of the Federation without adequate verification of genuineness of the claims resulting in irregular expenditure of Rs 1.27 crore on transportation of paddy.

The matter was reported to the Secretary to the Government in August 2007. Reply had not been received (August 2007).

Forests Department

4.3.5 Injudicious management of funds

Forest Department did not adhere to the Government of India's orders regarding management of funds for compensatory afforestation. This resulted in loss of interest of Rs 31.43 lakh.

In compliance of the Supreme Court's orders of October 2002, the Government of India (GOI) was required to constitute a Compensatory Afforestation Funds Management and Planning Authority (CAMPA) for the management of money towards compensatory afforestation¹², net present value¹³ and any money recoverable in pursuance of the Supreme Court's orders in this regard and in compliance of the conditions stipulated by GOI while according approval for non-forestry uses of forest land. Pending constitution of CAMPA, the Ministry of Environment and Forest, GOI directed (March 2004) the Secretaries (Forests) of the States to keep such money received from the user agencies in nationalised banks in the form of fixed deposits in the names of the concerned Divisional Forest Officers of the State. The State Government, however, issued orders only in January 2005, to keep the money in the State Bank of India in fixed deposits in the names of the concerned Deputy Conservators of Forests (DCF).

Though GOI had constituted CAMPA in April 2004, the same was not made operational. Subsequently, an ad hoc body of CAMPA was constituted (May 2006) under the orders of the Supreme Court. The body decided that the funds received for compensatory afforestation should be deposited in current accounts opened by the body in the names of the State Governments/Union Territories in the Corporation Bank, New Delhi to facilitate easy transfer of funds. Thereafter, the State Government instructed (June 2006) all the concerned forest officials to deposit the funds in its current account by 5 June 2006.

Scrutiny (May 2007) of the records of the DCF (West), Dhule revealed that amounts totalling Rs 2.64 crore received on this account from various project implementing authorities between October 2001 and March 2003 were kept under 'J-Reserve Funds 8235' and '8443 Forest Deposits'. Even after receipt (January 2005) of instructions from the State Government, the Department failed to deposit the same in fixed deposits. The delay in issue of instructions by the State Government to keep the money in fixed deposits and non-compliance of the Government instructions by the DCF (West), Dhule resulted in loss of interest of Rs 31.43 lakh for the period from April 2004 to May 2006

¹² Subsequent to de-reservation or diversion of forest land for non-forest uses, an equivalent area of non-forest/degraded forest area is identified and afforestation is carried on therein to compensate for the de-reserved/diverted forest land

¹³ Net present value is the value of forest based on the quality and density of the forest

at five and a half *per cent* per annum. The funds were lying in Reserves and Deposits of the State Government as of May 2007.

In reply, the DCF (West), Dhule stated that the necessary permission would be obtained from the Accountant General (A&E) -II, Nagpur and the amount would be credited to CAMPA.

The reply was not tenable because though clear instructions were issued by the Government of India from time to time, non-adherence to the same resulted in loss of interest of Rs 31.43 lakh due to failure in depositing the funds in fixed deposits. Further, though directives were issued by both the Central and the State Governments in June 2006, the funds had not been transferred to the current account of the ad hoc body of CAMPA to enable it to invest the same as required.

The matter was reported to the Principal Secretary to the Government in July 2007. Reply had not been received (August 2007).

Home Department

4.3.6 Avoidable expenditure due to delay in payment of water charges

There was avoidable expenditure of Rs 1.68 crore on surcharge due to delay in payment of water charges by the Commissioner of Police, Nagpur.

Water is supplied to the office of the Commissioner of Police (CP), Nagpur city by the Nagpur Municipal Corporation (NMC) for which NMC raises bills periodically at the prescribed rates. Failure to pay water charges before the due date mentioned in the bill attracts surcharge on the unpaid amount.

Audit scrutiny in June 2006 and information collected in April 2007 revealed that the CP had paid Rs 1.68 crore towards surcharge between January 2001 and December 2006 due to delayed payment of water consumption bills.

The Commissioner of Police stated (August 2006 and May 2007) that delay in receipt of annual grant and restrictions on expenditure resulted in accumulation of arrears. The reply was not acceptable as the records of CP indicated (May 2007) that his office had not impressed upon the Government the need for urgent additional funds for prompt payment on account of water used.

The matter was reported to the Additional Chief Secretary to the Government in May 2007. Reply had not been received (August 2007).

Housing Department

Maharashtra Housing and Area Development Authority

4.3.7 Loss of interest on mobilisation advance

Non-amendment of a clause regarding grant of mobilisation and machinery advance resulted in loss of Rs 1.14 crore towards interest on it.

As per a directive of the Housing Department of the Government, the Maharashtra Housing and Area Development Authority (MHADA) decided (September 2002) to award the work of construction of tenements at Dindoshi, Malad (East), located in a No-Development Zone, to M/s B.G. Shirke Construction Technologies Private Limited (agency) for Rs 106.31 crore, on a lump sum turn-key basis, with stipulated period of completion of 18 months. The agency was to obtain the requisite approval from the Brihanmumbai Municipal Corporation (BMC) for which an additional period of three months was allowed. Thus the work was to be completed in 21 months.

As per the provisions contained in Section 43 of the Maharashtra Regional and Town Planning Act, 1966, no person was to carry out any development of land without the written permission of the Planning Authority *i.e.*, BMC, in the present case.

The Chief Engineer II, MHADA accorded (December 2002) technical sanction to the work and the Executive Engineer II, Slum Rehabilitation Division of Mumbai Housing and Area Development Board, (an unit of MHADA), issued the work order in January 2003. The work was completed in June 2005 at a cost of Rs 130.81 crore.

Scrutiny (December 2006) of the records of the Executive Engineer, Slum Rehabilitation Division showed that the contractor was paid interest free mobilisation and machinery advance of Rs 17 crore on 13 January 2003 as per Clause 28 (a)¹⁴ of the contract agreement. The approval from BMC was received only on 15 July 2003, after a delay of 93 days.

The contractor was given an undue advantage by paying him the advance before the BMC's final decision. Thus, payment of the advance to the contractor in January 2003 instead of July 2003 caused consequential loss of interest of Rs 1.14 crore on it, for the period from 13 January 2003 to 14 July 2003.

The matter was reported to the Principal Secretary to the Government in July 2007. Reply had not been received (August 2007).

¹⁴ As per Clause 28 (a) of the contract, interest free mobilisation and machinery advance of 16 *per cent* of the contract value was payable to the Agency, for mobilisation of work force and machinery for starting the work, provided he applied for the same within one month from the date of the work order.

Medical Education and Drugs Department

4.3.8 Avoidable expenditure due to delay in payment of bills

Failure of the Government to provide funds for payment of electricity bills led to avoidable payment of interest and delayed payment charges of Rs 73.68 lakh.

As per condition 27 (a) of the conditions of supply of electrical energy by the Maharashtra State Electricity Board (MSEB) now renamed as Maharashtra State Electricity Distribution Corporation Limited (MSEDCL), bills shall be paid by the consumers within the due date mentioned on the bill, failing which the consumer shall be liable to pay the delayed payment charges (DPC) at the prescribed rates.

Scrutiny (November 2005) of the records of the Dean, Swami Ramanand Tirth Rural Medical College (College), Ambejogai and further information collected (May 2006 and May 2007) showed that payment for the electricity consumption during June 2000 to April 2007 was not made within the due dates mentioned in the bills. Consequently, MSEDCL raised a total demand of Rs 8.49 crore from June 2000 to April 2007 which included interest on arrears and the DPC of Rs 59.03 lakh and Rs 14.65 lakh respectively. As of April 2007, the College had paid Rs 7.74 crore to MSEDCL.

Thus, failure of the College in timely paying the electricity bills led to avoidable expenditure of Rs 73.68 lakh.

The matter was reported to Principal Secretary to the Government in May 2007. Reply had not been received (August 2007).

Urban Development Department

Mumbai Metropolitan Region Development Authority

4.3.9 Loss of interest

Failure to incorporate a clause for levy of interest on delayed payment of Ground Lease Rent in a lease deed resulted in loss of Rs 7.25 crore to the Mumbai Metropolitan Region Development Authority upto January 2007.

Agreements to lease commercial plots at Bandra-Kurla Complex were executed by Mumbai Metropolitan Region Development Authority (MMRDA) with seven parties between December 1997 and April 2006, after payment of lease premium agreed by the parties. As per Clause 7 of the Agreement, the parties had agreed to pay ground lease rent (GLR) in advance

on the 10th of January every year at the rate of one *per cent*, two *per cent* and three *per cent* of the lease premium from the fourth, 21st and 51st year respectively of the term of lease. As per Clause 8 of the Agreements to Lease, MMRDA was empowered to make such modifications and additions to the lease deeds as they might determine.

As no provision for levy of interest on delayed payment of GLR was incorporated in the bid documents at the time of the tender, MMRDA decided (October 1995) to incorporate an additional clause for levy of interest on delayed payments of GLR either at the prevailing bank rates plus three *per cent* or at rates decided by the Commissioner, MMRDA.

Scrutiny (October 2005) revealed that MMRDA did not incorporate the clause for levy of interest even though handing over of the possession of land and execution of the lease deeds took place after the said decision. Consequently, although the seven lessees paid the annual GLR for 2000-07 with delays ranging from 113 to 1,604 days, interest amount of Rs 7.25 crore due could not be recovered, resulting in loss to MMRDA to that extent.

MMRDA stated (November 2005 and May 2007) that though the lease deeds were executed subsequent to the decision of October 1995, the tender in response to which the bids were received did not contain a clause for levy of interest. Further, the Legal Advisor had also advised not to incorporate the said clause in the lease deeds as the bids were actually called for and accepted prior to October 1995.

The reply was not tenable because though the bids were received prior to October 1995, the handing over of the land and execution of the Agreements to Lease and lease deeds were done subsequently. Further, Clause 8 of the Agreements to Lease empowered MMRDA to make any additions and modifications in the lease deeds. Besides, it was a major omission on the part of MMRDA to exclude an enabling clause for charging interest on delayed payments on GLR.

The matter was reported to the Principal Secretary to the Government in July 2007. Reply had not been received (August 2007).

4.3.10 Avoidable liability on construction of an office complex

A work agreement was terminated by NIT because price escalation cost demanded by the contractor could not be allowed for want of relevant clause in the agreement. Acceptance of a higher offer on re-tendering led to avoidable liability of Rs 58.54 lakh.

In July 2005, the Board of Trustees (Board) of the Nagpur Improvement Trust (NIT) resolved to allow price escalation to contractors executing the works of NIT on account of abnormal rise in the price of steel.

An agreement was executed by NIT (December 2005) with a contractor for construction of office complex at Gayatri Nagar, Parsodi, Nagpur for

Rs 2.10 crore at 18.66 *per cent* below the estimated cost of Rs 2.58 crore. The agreement, however, did not include price escalation clause. In March 2006, the contractor demanded increase in the rates, as the approved drawings were not handed over to him. The Board however, resolved to terminate the agreement under Clause 15 (enable the Engineer-in-charge to rescind the contract) on the plea that there was no such provision in the agreement. Fresh tenders with estimated cost of the work revised to Rs 2.77 crore were invited (June 2006) by inclusion of the price escalation clause in the agreement and the work was awarded to a contractor on 20 November 2006 for Rs 2.89 crore (at four *per cent* above the estimated cost) for completion in 15 months. Thus, due to the failure of NIT to include appropriate clause in the agreement coupled with delay in issue of drawings, the work agreement had to be terminated and offer of higher rate was accepted on re-tendering. This led to avoidable liability of Rs 58.54 lakh on the work (with reference to the original estimated cost of Rs 2.58 crore plus four *per cent*).

The Superintending Engineer, NIT stated (April 2007) that in the past the tender for all the works were invited without price variation clause and the Board had decided in June 2006 to include the clause for works of value exceeding Rs 90 lakh.

The reply was not acceptable as the Board had already ordered (July 2005) insertion of the price escalation clause in the tenders.

The matter was reported to the Principal Secretary to the Government in May 2007. Reply had not been received (August 2007).

Water Resources Department

4.3.11 Irregular payment of mobilisation advance

Mobilisation and machinery advances of Rs 7.02 crore were given to two contractors in contravention of the contract conditions.

(i) As per Government orders (May 1981), all tenders for works costing more than Rs 20 lakh, where the period for completion was more than 12 months, were to include a clause for grant of mobilisation advance (MA) not exceeding five *per cent* of the estimated cost of the work. These directives were aimed at obtaining more competitive and economical bids.

Scrutiny (November 2005) of the records of the Executive Engineer, Raigad Irrigation Division, Kolad showed that the clause for granting of MA was not incorporated in the tender for the work of construction of Kumbhe dam under the Kal-Kumbhe hydro-electric project, which was awarded (March 2005) to a contractor. The Department, however, sanctioned (October 2005) MA of Rs 4.49 crore to the contractor at 15 *per cent* of the cost of the work with an interest rate of 12 *per cent*, as a special case, to speed up the work and to complete the project in time.

Non-inclusion of MA clause in the tender, contrary to the Government directives and the subsequent sanction and payment of the advance after issue of the work order, that too exceeding five *per cent*, was irregular. The tendering procedure was vitiated because other tenderers were not aware of the benefit of receiving such an advance while quoting their offers. Thus, the grant of mobilisation advance in contravention of the contract conditions was irregular.

(ii) In another case, the works of supply and erection of embedded parts, hydraulic gates and ancillary equipments, including design of hydraulic gates for extension of HRT-KHEP¹⁵ Stage-IV (Work 1) and Supply and erection of an EOT¹⁶ crane and electrically operated hydraulic hoists and ancillary equipments including design of hoists and ancillary equipments for extension of HRT-KHEP Stage-IV (Work 2) were awarded to a contractor for Rs 24.44 crore and Rs 10.78 crore in November 2004 and March 2005 respectively.

As per the contract conditions, machinery advance to the extent of 90 *per cent* of new construction equipment and 75 *per cent* of the depreciated value of the old machinery and equipment owned by the contractor limited to 10 *per cent* of the cost of the work put to tender and mobilisation advance of five *per cent* of the estimated cost were admissible.

Scrutiny (December 2006) of the records of the Executive Engineer, (EE) Koyna Construction Division No 2, Alore, Chiplun, District Ratnagiri revealed that on the request of the contractor, the Chief Engineer, Koyna Project, Pune submitted (March 2005) a proposal to the Water Resources Department of the Government for granting 10 *per cent* mobilisation advance and five *per cent* machinery advance to the contractor for both the works as against the maximum admissible mobilisation advance of five *per cent* and machinery advance of 10 *per cent* as per the contract condition, on the ground that this would expedite the work. The Water Resources Department accepted (March 2005) the proposal as a special case. The contractor was accordingly paid mobilisation advance of Rs 2.44 crore and Rs 1.08 crore in March 2005 and machinery advance of Rs 1.22 crore and Rs 0.36 crore in August 2005 for Work-1 and Work-2 respectively. It was noticed that the machinery advance was computed on the basis of the present evaluated cost of the old machinery instead of on its depreciated cost. This payment was contrary to the contract conditions and irregular. This resulted in excess payment of mobilisation advance of Rs 1.75 crore and machinery advance of Rs 0.78 crore, as detailed in the **Appendix 4.2**.

The EE stated (November 2006) that payment of the advance was made with the approval of the Government and it had fetched interest at 12 *per cent* per annum.

¹⁵ Head Race Tunnel - Koyna Hydro Electric Project

¹⁶ Electrical Overhead Traction

The reply was not tenable as the payment was made in contravention of the contract condition. Further, the payment of advance was not intended for earning interest but for expediting the work, which was not achieved. Besides, changing the contract condition, paying the additional MA and considering the present evaluated cost of the machinery for grant of machinery advance after finalisation of the tender, vitiated the tender procedure and deprived other contractors of the benefit while quoting their offers. Thus, the contractor was given an undue benefit of advance of Rs 2.53 crore.

The matters were reported to the Secretary to the Government during April and May 2007. Reply had not been received (August 2007).

4.3.12 Undue favour to a contractor

Repayment of liquidated damages to contractor by amending a contract condition without the approval of the competent authority resulted in undue favour to a contractor of Rs 45.46 lakh.

The civil, electrical and mechanical works of the Dolvahal Hydro Electric Project were awarded to a contractor in March 2004 on turn-key basis for Rs 9.68 crore at 12.47 *per cent* above the revised estimated cost of Rs 8.61 crore, with a stipulated period of completion of 24 months. As on May 2007, an expenditure of Rs 6.13 crore had been incurred on these works.

As per clause 3.57.1(a) of the special conditions of the contract, the contractor was to pay liquidated damages (LD) for non-achievement of milestone activities at the rate of 0.5 *per cent* per week on the percentage of contract value to be completed.

Scrutiny (October 2005 and December 2006) of the records of the Executive Engineer, Bhandardara Hydro Electric Division, Kalwa showed that due to non-completion of milestone activities as per the programme stipulated in the contract, LD of Rs 45.46 lakh was recovered from the Running Account bills of the contractor between March 2005 and March 2006 and kept in deposit. On a request from the contractor, the schedule of milestone activities specified in the contract was revised twice, in July 2005 and October 2006, by the Superintending Engineer (SE) Hydro Project Design Circle (HPDC), Mumbai by amending the contract condition, though no such provision to amend was present in the contract. The overall period of completion of the project was also increased from 24 to 36 months. This was done without the specific approval of the competent financial authority *viz.*, the Government of Maharashtra, as required under the provisions of the Maharashtra Public Works (MPW) manual¹⁷. On the basis of these amendments, the Executive Engineer refunded the LD during August 2005 and April 2006, before completion of the entire work.

¹⁷ Para 192(4) of the Maharashtra Public Works (MPW) Manual states that the terms of a contract once entered into, should not be varied without previous consent of the competent financial authority

The Executive Engineer stated (October 2005) that the LDs were refunded as the contract document had been modified and amended and extension had been granted to the contractor by the SE, HPDC, Mumbai.

The reply was not tenable as the amendment to the contract was a violation of contract conditions and was made without obtaining the approval of the Government. This resulted in undue favour to the contractor of Rs 45.46 lakh.

The matter was reported to the Secretary to the Government in May 2007. Reply had not been received. (August 2007).

4.3.13 Avoidable payment of compensation and non-recovery of penal interest

Issue of a work order without ensuring acquisition of land resulted in stoppage of work and consequent avoidable payment of compensation of Rs 2.70 crore to a contractor on idle machinery and labour. Besides, non-recovery of penal interest of Rs 55.99 lakh for violation of an indenture for secured advances resulted in undue benefit to him.

As per a resolution dated 20 January 1997 of the Revenue and Forests Department of the Government, prior approval from the Government of India (GOI) was to be taken before commencement of any non-forestry work in notified forest land.

The Executive Engineer, Minor Irrigation Division, Oras, District Sindhurg, a unit of the Konkan Irrigation Development Corporation (KIDC), Thane awarded the work of construction of the Minor Irrigation Project, Shirshinge, Sawantwadi to a contractor in October 1999 for a tendered cost of Rs 36.09 crore, with a stipulated period of completion of 36 months. The work was subsequently transferred (November 2000) to the Medium Project Division, Ambadpal, Kudal, District Sindhurg. The work commenced in December 2000 but was stopped in May 2001 as part of the land which was required for construction of the dam, fell under a notified private forest area and required clearance from the GOI.

As per clause 15(3) of the contract and clause 34 of the Special Conditions of the contract, the contractor was entitled to compensation on machinery and labour if they remained idle due to delay in completion of the work for want of funds, problems in land acquisition *etc.*

Scrutiny (October 2005) of the records of the Executive Engineer, Medium Project Division, Ambadpal, Kudal, District Sindhurg and further information obtained from the division in April 2007 showed that the Deputy Conservator of Forests, Sawantwadi had informed (July 1999) the Sub-Divisional Officer, Minor Irrigation Sub Division 2, Kankavli that the land in question attracted provisions of the Forest Conservation Act, 1980. Despite this, the work order was issued (October 1999) without obtaining forest clearance from GOI. The work, therefore, had to be stopped. Due to delay in

execution of the work for want of land, the contractor claimed (April 2003) compensation of Rs 7.34 crore towards idle labour and machinery as per the contract conditions. The Executive Engineer paid (October 2006) compensation of Rs 2.70 crore to the contractor, with the approval (October 2006) of the Executive Director, KIDC.

Thus, issue of the work order and commencement of work on forest land without obtaining the mandatory clearance from GOI, despite having prior knowledge of the facts resulted in delay in execution of the work and consequent avoidable payment of Rs 2.70 crore to the contractor towards idle machinery and labour.

Further, secured advance of Rs 98.61 lakh was granted (May 2001) to the contractor against steel, rubble, sand and metal brought to the site by him as per the contract condition, on furnishing of an indenture in the prescribed form. Though the contractor had utilised material worth Rs 34.50 lakh, an amount of Rs 13.15 lakh was recovered from his bill up to November 2003. The balance (Rs 85.46 lakh) was recovered in October 2006, after this was pointed out by Audit. It was also observed that the contractor had in the meantime, removed (May 2002) material worth Rs 64.11 lakh from the site, without obtaining the written permission of the Divisional Officer. The penal interest leviable at 20 *per cent* per annum, as per Clause 7 of the indenture was, however, not recovered from the contractor. This resulted in non-recovery of penal interest of Rs 55.99 lakh and undue benefit to the contractor.

The Executive Director, KIDC stated (January 2007) that the contractor had lifted the material in anticipation of approval, as the material could have got damaged or been washed away during the monsoon. Further, restarting of the work immediately was not certain and the entire advance was refunded between June 2003 and October 2006.

The reply was not tenable as the lifting of material without the written permission of the Division, was contrary to the terms and conditions of the indenture for secured advances. Besides, the advance was recovered belatedly in October 2006.

The matters were reported to the Secretary to the Government during May and June 2007. Reply had not been received. (August 2007).

4.3.14 Avoidable expenditure

Challenging the Arbitrator's award, knowing fully well that the Department was at fault, led to avoidable expenditure of Rs 4.33 crore.

The Civil Judge (Senior Division), Hingoli appointed (June 1998) a Sole Arbitrator for settlement of disputes between a contractor and the Executive Engineer, Upper Penganga Project Division-VI (EE), Nanded relating to the work of providing earthwork and lining to Isapur Right Bank Canal. The contracts provided that any dispute or differences arising out of the contracts

would be referred to arbitrator and decision of the arbitrator would be final and binding on both the parties. The Arbitrator upheld (June 2001) the contractor's contention (December 1996) that the work was prolonged due to the delay and breaches committed by the Department and declared (June 2001) his award for Rs 12.04 crore (Rs 2.08 crore for claims¹⁸ and Rs 9.95 crore for interest for the period April 1993 to June 2001).

However, the EE with the advice of the Legal Advisor of the Godavari Marathwada Irrigation Development Corporation (GMIDC) appealed (October 2001) against the award in the court of Civil Judge (Senior Division), Hingoli. The court turned down (December 2001) this appeal. Instead of abiding by the Court's orders, a fresh appeal was filed (February 2002) by the EE in the Aurangabad bench of the High Court of Bombay knowing fully well that the delay was attributable to the Department. During the pendency of this appeal, the contractor requested (October 2004) GMIDC for mutual settlement of the dispute. The Board of Governors of GMIDC settled the dispute and paid (June 2005) Rs 16.82 crore to the contractor based on suggestions (February 2005) of the Legal Advisor and Senior Counsel of GMIDC that 'it is always appropriate to take recourse to any possible settlement out of court that may be in the interest of the Corporation'.

Thus, challenging the Arbitrator's award even after rejection of the appeal filed in December 2001, led to avoidable expenditure of Rs 4.33 crore on account of interest from December 2001 to November 2004.

The matter was reported to the Principal Secretary to the Government in April 2007. Reply had not been received (August 2007).

4.3.15 Avoidable expenditure on construction of earthen dam

Irregular sanction of extra item rate list led to avoidable expenditure of Rs 1.87 crore.

To irrigate 1240 hectares of land, construction of earthen dam and fall type waste weir of Bewartola Tank Project, District Gondia was entrusted (July 2000) to a contractor at 23.4 *per cent* below the estimated cost of Rs 7.43 crore for completion in 36 months (extended upto June 2007). The agreement provided excavation in hard rock by controlled blasting in dry and wet conditions for an estimated quantity of 15,002 cubic metres (cum) at the average rate of Rs 173.70 per cum.

Scrutiny (August 2006) of the records of the Executive Engineer, Medium Project Division, Gondia (EE) and subsequent information collected (February 2007) showed that the Chief Engineer, Gosikhurd Project, Nagpur (CE) had sanctioned (January 2006) an extra item rate list (EIRL) for excavation of 90,528.60 cum in hard rock by Mechanical Rock Breaker

¹⁸ Price escalation, reimbursement of over heads and profit, payment for new extra items, execution of quantity in excess of 30 *per cent* of the tendered quantity, extra lead charges, etc.

(MRB) at the rate of Rs 481 per cum on the plea that the Police Department would not permit blasting as there was an incidence of naxal activity in the vicinity of the project in which Police personnel were killed. This argument was not supported by orders of the Police Department or the District Collector. The sanction to EIRL on presumption thus, resulted in avoidable expenditure of Rs 1.87 crore as of December 2006.

The CE justified (April 2007) the sanction of EIRL on the ground of uncertainty about getting permission for blasting from the Police Department after the incident. CE further stated that the disproportionate increase in quantities of hard rock excavation consequent to the change of design by Central Designs Organisation, Nashik (February 2001 and April 2001) compelled the Department to use machineries for excavation in hard rock.

The contention of the CE was not acceptable as the officers concerned did not approach the District Collector who is the authority competent to grant permission for blasting operations. The justification about use of machinery for excavation of the increased quantity is also not acceptable as the payment for the quantities excuted beyond 125 *per cent* of the tendered quantities was to be made at the current schedule of rates under Clause 38 of the agreement.

The matter was reported to the Principal Secretary to the Government in May 2007. Reply had not been received (August 2007).

4.3.16 Avoidable expenditure due to delay in settlement of claims

Failure of the Chief Engineer, Command Area Development Authority, Aurangabad to timely settle contractor's claim of Rs 28.85 lakh led to arbitration and avoidable expenditure of Rs 1.13 crore.

Scrutiny (July 2005) of the records of the Executive Engineer, Majalgaon Canal Division–VII, Gangakhed (Division)¹⁹ showed that Division paid (January 2005) Rs 1.42 crore²⁰ to the heir of a contractor (expired in November 1990) against the claim (October 1991) of Rs 28.85 lakh. The claim was for seeking compensation for losses attributable to the Division.

Scrutiny (July 2005 and March 2007) showed that the Government (Irrigation Department) had finalised (July 1996) the claim for Rs 5.64 lakh as against Rs 28.85 lakh and had directed (July 1996) the Chief Engineer (CE), Command Area Development Authority, Aurangabad to obtain an undertaking from the heir that the heir would not raise any other claims in future. However, the CE could not obtain the undertaking as the heir was unwilling to accept the amount. The claim remained pending with the CE as he did not finally reject the claim. In December 2001, the heir sought appointment of an Arbitrator which the CE rejected (December 2001) stating that procedure contemplated

¹⁹ Under Godavari Marathwada Irrigation Development Corporation, Aurangabad (GMIDC)

²⁰ Amount of claim Rs 41.68 lakh, Interest upto 31/01/2004 Rs 99.50 lakh and Arbitrator's fee Rs 0.82 lakh

in the agreement was not followed. Thereafter, the heir appointed (February 2002) a sole Arbitrator for deciding the dispute. As the Division did not attend the hearings held between February 2002 and December 2002, the Arbitrator declared (December 2002) an ex-parte award for Rs 1.31 crore²¹ in favour of the heir. Division appealed (March 2003) against the award before the District Judge, Parbhani but accepted (February 2004) the offer (July 2003) of the heir for an out of court settlement of the dispute to avoid mounting liability on account of interest if the Court ruled in favour of the claimant.

Thus, due to the failure of the Chief Engineer to finally settle the claim in time, the claim remained alive and the GMIDC had to pay Rs 1.13 crore to the heir over and above the initial claim.

The Executive Director of GMIDC stated (March 2007) that the matter was handled as per the directives of the Governing Council of GMIDC. The reply was not acceptable as the Governing Council failed in protecting the financial interest of GMIDC. Further, the reply was silent on any action against the Chief Engineer.

The matter was reported to the Principal Secretary to the Government in May 2007. Reply had not been received (August 2007).

4.3.17 Avoidable expenditure due to inadequate provision for pitching

Failure to determine correct technical requirement of pitching to earthen dam and execution of rectificatory works at higher rates from a different agency during the currency of the original contract resulted in avoidable expenditure of Rs 1.01 crore.

Bureau of Indian Standards stipulates that the up-stream slope of the earthen dam should be properly protected against erosion by means of rubble pitching²² at least 1.50 metre (M) below the maximum draw down level (MDDL)²³.

It was noticed that the Executive Engineer (EE), Medium Project Division-1, Dhule raised a berm and provided (May 2005 to March 2006) pitching from the reduced level (RL) 215.90 M to 217.90 M of the up-stream portion of the earthen dam of Amravati Medium Project (Project) at Sindkhed in the drought prone area. Expenditure incurred as of March 2006 was Rs 1.61 crore.

Scrutiny (February to December 2006) of the records of the EE showed that heavy erosion of soil from the up-stream portion of the earthen dam was

²¹ Amount claimed Rs 41.68 lakh + Interest upto 18.12.2002: Rs 88.55 lakh + Arbitrator's fee: Rs 0.82 lakh

²² Pitching: A coverage of sand quarry spoul and thereon stone to protect the casing from erosion by the water depletion or water waves

²³ MDDL: Maximum level up to which the water can be drawn / let out from a reservoir

observed during letting out water from the irrigation outlet at RL 218.52 M and river sluice at RL 215 M in April 2002 and in February 2003. Further scrutiny revealed that the Central Designs Organisation (CDO), Nashik fixed MDDL at 219.72 M with the presumption that the water level would not go below MDDL. The presumption was not correct as the water level was bound to fall whenever the river sluice at RL 215 M was operated to provide drinking water during water scarcity. Had this aspect been initially considered in the technical estimate of the original work of construction of dam, the protective pitching could have been provided upto RL 214 M. This would have avoided spending Rs 1.01 crore, being the difference in cost of protective pitching from RL 215.90 M to 217.90 M executed in May 2005-March 2006 and the cost of pitching had it been executed under the original agreement for the project. Thus, failure of the CDO to properly devise the protective measures upto the level of river sluice, led to avoidable expenditure of Rs 1.01 crore.

The EE stated (June 2006) that existence of water level below the level of pitching through out the year was the major reason for soil erosion. He further contended that the cost of project would have increased if the level of pitching had been considered with reference to the river sluice in the initial estimates.

The reply was not acceptable as the river sluice was specifically provided to meet the drinking water needs of the drought prone area under the project. Therefore, measures for protecting the earthen dam below the level of the sluice should have been considered in the initial estimates irrespective of the cost of project.

The matter was reported to the Principal Secretary to the Government in March 2007. Reply had not been received (August 2007).

4.3.18 Avoidable payment to a contractor

Failure of the Department in incorporating standard wording of the Clause 38 in the contract led to avoidable payment of Rs 92.21 lakh to a contractor.

Clause 38 of contracts provides that if the quantities actually executed exceed the quantities specified in the tender by more than 25 *per cent*, payment for such excess quantities would be made with reference to the current schedule of rates (CSR) of the year in which the work was executed or rates prevailing in the market increased or decreased by the percentage which the total tendered amount bears to the estimated cost of the work put to tender.

The work of construction of Popatkhedda Minor Irrigation (MI) tank and construction of balance earth work of the dam under the Executive Engineer, MI Division-II, Akola (EE) was awarded to a contractor at 10.01 *per cent* below the estimated cost of Rs 14.66 crore for its completion upto December 2006. Scrutiny (July 2006) showed that following line of the standard wording of Clause 38 was deleted from the original tender ‘or

decreased as the case may be by the percentage which the total tendered amount bears to the estimated’.

Further the rates as per the provisions of Clause 38 were approved for four items by reducing the rate worked out as per CSR by 10.01 *per cent*. However, due to contractor’s protest based on the actual wording of Clause 38 in the contract, the Board of Governors of Vidarbha Irrigation Development Corporation had approved the payment by withdrawing the reduction of 10.01 *per cent* in the rates worked out for payment. EE paid (December 2005) Rs 92.91 lakh to the contractor as differential amount for execution of the items under Clause 38 of the contract. Thus, failure of the Department in incorporating standard wording of the Clause 38 in the contract compelled the Department to make payment of Rs 92.21 lakh, which in normal course was not due to the contractor.

On this being pointed out (October 2006) the Chief Engineer, Water Resources Department, Amravati accepted (February 2007) the omission and stated that due to oversight the line had not been printed in the agreement. The Chief Engineer, however, did not indicate the level at which the mistake had occurred and had not fixed any responsibility for the omission.

The matter was reported to the Principal Secretary to Government in March 2007. Reply had not been received (August 2007).

4.3.19 Undue favour to a contractor

Acceptance of an untenable claim for reclassification of excavated strata led to undue benefit of Rs 61.26 lakh to a contractor.

Clause 16 of the B-2 tender²⁴ for the work of construction of the masonry dam and power outlet of Upper Pravara project at Nilwande (referred to in Paragraph 4.2.9 of this report) lays down time limit for submission of unforeseen claims. It stipulates that ‘under no circumstances whatsoever the contractor shall be entitled to any compensation from the Government on any account unless the contractor shall have submitted in writing to the Engineer-in-charge within one month of the case of such claim occurring’. The work included excavation of 3,71,365 cubic metres (cum) in soft strata and 43,113.31 cum of excavation in hard strata for foundation.

Scrutiny (March 2006) of records of the Executive Engineer (EE), Upper Pravara Dam Division, Sangamner showed that the Superintending Engineer and Administrator (SE), Command Area Development Authority (CADA), Ahmednagar had approved (August 2005) re-classification of excavation of 25,300 cum in soft strata to excavation in hard strata and sanctioned (August 2005) Rs 61.26 lakh towards difference (Rs 242.15 per cubic metre)

²⁴ In B-2 form of agreements, the tenderer offers his rates against each item of work included in the schedule of quantities for the work

in the rate²⁵ of excavation in hard strata and soft strata. Scrutiny (November 2006) of the measurements recorded showed that the EE had classified (between December 1995 and February 1996) the excavated quantity as soft strata, which the contractor, had accepted (between December 1995 and February 1996) ‘without prejudice²⁶’. The contractor was expected to prefer an appropriate claim within one month of his acceptance of the measurements if he was not satisfied about the classification of the strata. Records of the EE, however, showed (October 2006-April 2007) that the contractor made the claim only on 18 July 2005. As the claim was not made within one month from February 1996, the claim was untenable and there was no propriety in honouring it. Acceptance (August 2005) of the claim by SE resulted in contractual violations and grant of undue benefit of Rs 61.26 lakh to the contractor.

The Chief Engineer, North Maharashtra Region, Nashik stated (April 2007) that the change of classification of the soft strata to hard strata was done after confirmation of the facts by a report (January 1996) of the Geologist.

The reply was not acceptable as the Geologist in his report of January 1996 did not confirm presence of hard strata. He had opined that ‘in view of induration of this compact silt it may be rather difficult to excavate than the soft rock’.

The matter was reported to the Principal Secretary to the Government in May 2007. Reply had not been received (August 2007).

Water Supply and Sanitation Department

4.3.20 Cost escalation

Commencement of a water supply work before acquisition of the required land resulted in cost escalation by Rs 4.45 crore.

The work of augmentation of the Rahata-Pimplas Town Water Supply Scheme was awarded (July 2002) to a contractor for Rs 4.08 crore (24.50 *per cent* above the estimated cost of Rs 3.28 crore) with a stipulated period of completion of 18 months *i.e.*, by January 2004. The contractor had completed the work to the extent of 60 *per cent* as of March 2007.

As per the Maharashtra Public Works Manual, no work should be commenced on land which has not been duly made over by a responsible civil officer. Similarly, when a tender for a work is accepted but the land for the purpose is still to be acquired, the time that should be allowed for land acquisition should be ascertained from the Collector concerned before issuing orders to

²⁵ Excavation in hard strata Rs 272.15 per cubic metre. Excavation in soft strata Rs 30 per cubic metre

²⁶ ‘Without prejudice’ means that the contractor had accepted the measurements / payment without any bias

commence the work. The Chief Engineer had also instructed (June 2002) the Superintending Engineer, MJP Circle, Ahmednagar to commence the work only after getting possession of the land.

Scrutiny (December 2006) of the records of the Executive Engineer (EE), MJP Works Division, Sangamner and information obtained (March 2007) subsequently revealed that the proposal for acquisition of 40 acres of land had been submitted to the Collector in October 1999. After submitting the land acquisition proposal, consent from 11 out of 29 affected farmers was also obtained. The work order was issued in July 2002, without taking possession of the land or ascertaining the time required for land acquisition from the Collector. Since the land acquisition proposal did not materialise, MJP had to acquire alternate land admeasuring 7.77 hectares (approximately 19.20 acres) at a cost of Rs 1.50 crore in August 2006, as against the proposed 40 acres of land, estimated cost of which was Rs 33 lakh. The contractor had to be granted extension from time to time upto March 2007.

As the cost of the work increased, MJP submitted (October 2006) a revised estimate for Rs 9.85 crore to the Government for approval. Thus, issue of work order without acquiring the land and subsequent delay in acquisition of alternate land resulted in cost escalation of the project by Rs 4.45 crore. Of this, cost escalation of Rs 3.45 crore was due to increase in land cost, increase due to change in design due to shifting of site and difference in district schedule of rates. Besides, the objective of providing increased water supply to Rahata-Pimplas town could also not be achieved.

In reply, the EE stated (March 2007) that though the proposal for land acquisition had been submitted to the Collector in October 1999 itself, the required land could be acquired only in August 2006.

The reply was not tenable because in 1999 itself, he was well aware that 18 out of 29 farmers had not given their consent for land acquisition. The matter should have, therefore, been sorted out or alternate land should have been located before issue of the work order in July 2002.

The matter was reported to the Principal Secretary to the Government in May 2007. Reply had not been received (August 2007).

4.3.21 Avoidable expenditure due to delayed payment of interest

Delay in release of funds by the Government resulted in avoidable expenditure of Rs 1.97 crore on account of penal interest paid on Secured Redeemable Non-Convertible Bonds.

Government of Maharashtra, vide a white paper on a 'Drinking Water Supply Programme' placed (July 1995) in the State Legislature, envisaged supply of pure drinking water to all the villages and towns in the State by the year 2000. The Government, under the provisions of clause 26(2) of the Maharashtra Jeevan Pradhikaran Act, 1976, authorised (December 1997) the Maharashtra

Jeevan Pradhikaran (MJP) to raise funds up to Rs 3,500 crore from the open market through the issue of bonds, in a phased manner. The Government gave (December 1997) an unconditional and irrevocable guarantee, duly supported by adequate annual budgetary provisions for repayment of the principal and payment of interest on the bonds on due dates. Accordingly, MJP issued a series of ‘Secured Redeemable Non-Convertible Bonds’ and raised funds between April 1997 and March 2005.

The Government, the MJP and the trustees²⁷ to the bondholders entered (April 2001), into a tripartite agreement, wherein the Government assured budgetary support for repaying the principal and servicing the interest payments.

As per another agreement entered into (August 2001) between MJP and the trustees, in cases of default in redemption of the instalments of the principal amount and/or interest on their respective due dates, MJP was to pay on the defaulted amount, liquidated damages (penal interest) at the rate of two *per cent* per annum for the period of default, to the bondholders.

Scrutiny (June 2006) of the records of the Financial Advisor and Chief Accounts Officer, MJP, Navi Mumbai disclosed that MJP had paid penal interest amounting to Rs 1.97 crore between February 2004 and May 2006 due to delays in payment of interest on the due dates.

The Principal Secretary, Water Supply and Sanitation Department accepted the facts and stated (July 2007) that though budget provision was available, it was compulsory for the department to obtain the approval of the Finance Department for release of grants. Similarly, bills for bigger amounts prescribed to the treasury were being passed as per the directions of the Finance Department. Now the Finance Department had fixed a month-wise cashflow for all the administrative departments and delegated the powers to them to release the funds as per budget provision. MJP had also been instructed to use the funds available with them on temporary basis for timely payment.

The fact remained that the delay in release of funds by the Government, resulted in avoidable expenditure on payment of penal interest of Rs 1.97 crore to the bond holders.

²⁷ Bond Series I – Industrial Development Bank of India, Bond Series II to VIII – Bank of Maharashtra Bond Series IX to XII – Western India Trustee and Executors Company Limited

4.4 Idle investment/idle establishment/blocking of funds and diversion/misutilisation of funds

Agriculture, Animal Husbandry, Dairy Development and Fisheries Department

4.4.1 Payment of salaries to idle staff

Even after closure of activities of the Government Milk Scheme, Satara, unproductive expenditure of Rs 3.24 crore was incurred on idle staff up to March 2007.

The Government Milk Scheme (GMS), Satara started functioning since 1979, which had milk handling capacity of one lakh litres of milk per day and 93 employees were working on the scheme. It was observed (July 2007) that there was continuous reduction in handling of milk since 2003-04, as the milk handling capacity utilised during 2003-04 was only 28.71 *per cent* which was reduced to 0.20 *per cent* in 2004-05. The activities of procurement and sale of milk from GMS, Satara completely closed down in May 2005.

A test check of records (May 2007) showed that the Dairy Development Commissioner (DDC) decided (March 2005) to close down milk distribution from GMS, Satara from May 2005 and directed the Dairy Manager, to ascertain the minimum staff required, transfer the remaining staff to other schemes and finalise the proposal for transfer of GMS to the Satara Milk Federation (Federation) and forward the same to the DDC. It was seen that neither the staff were transferred by the DDC to other Milk Schemes nor did the Government finalise (July 2007) the proposal to transfer the scheme to the Federation submitted (August 2005) by the Regional Dairy Development Officer, Satara.

Since the Department did not take any action to transfer the idle staff to other schemes, unproductive expenditure of Rs 3.24 crore was incurred on staff salaries during the period May 2005 to March 2007 (23 months), and the same continued.

The matter was reported to the Secretary to the Government in August 2007. Reply had not been received (August 2007).

Home Department

4.4.2 Blockage of funds

Cloth for stitching fatigue caps for police constables was supplied in excess without considering the previous stock and the trends of utilisation. As a result, cloth worth Rs 2.26 crore was lying idle.

Government decided (March 1979) to incorporate fatigue caps to be used as headgear as a part of the uniform of the State Police Constabulary. Two fatigue caps were supplied to each police constable every year. Purchase orders for the cloth for manufacturing the caps were placed by the Director General of Police (DGP) with the Maharashtra State Handloom Corporation based on the demand received from the field units. The caps were got stitched at the stitching centres of the Police Training Schools (PTS)/Police units.

Scrutiny (November 2005) of the records of the PTS, Khandala and further information received (May 2007) from 13²⁸ other units showed that 2.26 lakh metres of cloth supplied to them from time to time by DGP for manufacturing caps was lying unutilised as of May 2007. The year-wise position for the last six years was as follows:

(In lakh metre)				
Year	Opening Balance	Receipt	Consumption	Closing Balance
2001-02	2.17	0.04	0.90	1.31
2002-03	1.31	0.15	0.26	1.20
2003-04	1.20	1.06	0.44	1.82
2004-05	1.82	0.29	0.07	2.04
2005-06	2.04	0.25	0.14	2.15
2006-07	2.15	0.29	0.18	2.26

It can be seen from the above that though huge stocks of cloth were lying idle, DGP continued to supply cloth every year, which proved to be excessive.

The Deputy Commissioner of the office of DGP accepted the facts and stated (March 2007) that the supply of cloth was made to PTSs and Police Welfare units based on requisitions for caps received from the field units and buffer stock maintained as per policy decision of the Government. Further, he stated that the rate for stitching was as low as Rs 3 per cap and the workers were not ready to undertake stitching at this rate.

The fact, however, remained that cloth procured even in the year 1995 was lying unstitched and further purchase of cloth was made without considering the closing stock which was lying idle.

²⁸ SPs - Aurangabad, Bhandara, Chandrapur, Osmanabad, Parbhani, Sangli, Solapur and Thane
CPs – Nagpur and Pune
PTSs -Akola, Jalna and Nagpur

Thus, excessive procurement of cloth by DGP without considering the previous stock and trend of consumption of cloth resulted in 2.26 lakh metres of cloth worth Rs 2.26 crore lying unused and consequent blockage of funds.

The matter was referred to the Secretary to the Government in June 2007. Reply had not been received (August 2007).

4.4.3 Unfruitful expenditure on video conferencing system

As the Home Department did not install video conferencing systems in jails, the systems installed in the courts could not be utilised, rendering the expenditure of Rs 93.88 lakh incurred on them largely unfruitful.

In order to reduce overcrowding in jails due to the presence of large numbers of undertrials, to ensure cent *per cent* production of prisoners in courts and to effectively tackle the problem of safe escorting of prisoners by security personnel to the courts, the Government appointed (November 2000) a Committee consisting of the Principal Secretary, Law and Judiciary Department, the Inspector General of Police (Prisons) and the Registrar of the Bombay High Court to study the legal requirements and the expenses involved for linking courts and jails through video conferencing. The Committee recommended (August 2001) introduction of video conferencing linkages in three jails²⁹ and 14 court houses in Mumbai city, initially on an experimental basis, with the concurrence of the Bombay High Court.

In a joint meeting held in September 2004 under the Chairmanship of the Chief Secretary with the Secretaries of the Home, Finance, Law and Judiciary, Public Works, Information and Technology Departments and other departmental officers, it was decided that the Home Department would install video conferencing systems in all the courts and jails by March 2005.

Home Department installed (February and August 2005) video conferencing facilities at 17 sites (four jails³⁰ and 13 courts) through the Mahanagar Telephone Nigam Limited at a cost of Rs 45,000 for the first five sites as a pilot project and Rs 45,000 plus service tax per month per site for the additional 12 sites.

In the meantime, as per a decision (August 2004) of the Law and Judiciary Department, the Registrar of Bombay High Court installed (June and July 2005) video conferencing facilities in 29 district courts as part of the scheme of computerisation, incurring an expenditure of Rs 93.38 lakh. The recurring expenditure on rent payable for the Integrated Service Digital Network (ISDN) lines to the Bharat Sanchar Nigam Limited was Rs 1,200 per month per site.

²⁹ Mumbai Central Prison, Arthur Road, Mumbai District Prison, Byculla and Thane Central Prison, Thane

³⁰ Mumbai Central Prison, Arthur Road, Mumbai District Prison, Byculla, Thane Central Prison, Thane and Yerwada Central Jail, Pune

Scrutiny (June and July 2007) of the records of the Bombay High Court (Appellate side) and the Inspector General of Police (Prisons) disclosed that despite the decision taken (September 2004) to install video conferencing facilities in the remaining 28 prisons by March 2005, Home Department did not provide video conferencing facilities in the jails.

Non-installation of the video conferencing systems in the 28 jails resulted in underutilisation of the systems installed in the district courts, rendering the expenditure of Rs 93.38 lakh incurred on them unfruitful. It was observed that cases of 51,364 undertrials were dealt with through video conferencing facilities set up in the 17 sites mentioned earlier, during the period from February 2006 to May 2007, thereby saving Rs 8.57 crore. Had the Department installed the video conferencing systems in the 28 jails, substantial amounts would have been saved during the last two years. Besides, the recurring expenditure of Rs 1200 per month per court on ISDN lines provided in each court also could have been avoided.

The matter was referred to the Principal Secretary to the Government in July 2007. Reply had not been received (August 2007).

Public Health Department

4.4.4 Idle investment of a scan unit for want of operator

In absence of a trained operator, the Computerised Tomography Scan unit costing Rs 1.41 crore has not been put to use for 22 months.

Government accorded (March 2004) sanction for Rs 1.41 crore for purchase of a Computerised Tomography (CT) scan unit for the General Hospital, Osmanabad. The Director General of Health Services placed (March 2004) supply order on a supplier in Mumbai and simultaneously directed (March 2004) the Civil Surgeon, General Hospital, Osmanabad to arrange training programme for at least two officers in order to handle and utilise the machine successfully. The unit was installed in the General Hospital, Osmanabad on 15 April 2005.

Scrutiny (September 2006 and February 2007) of the records disclosed that the CT scan unit was only being warmed up daily and no CT scannings were made from April 2005 to February 2007. It was also observed that the X-ray technicians operating the unit were trained only for switching on and off of the machine.

Thus, failure of the Civil Surgeon to arrange training to the officials to use the CT scan unit for scanning led to idling of the machine for over 22 months and denial of intended scanning facilities to the needy patients.

The Civil Surgeon stated (February 2007) that the unit could not be put to use because of non-posting of a Radiologist. The contention of the Civil Surgeon

was not acceptable as the Director General of Health Services had directed the Civil Surgeon to train officers among his staff to operate the unit.

The matter was reported to the Principal Secretary to the Government in March 2007. Reply had not been received (August 2007).

4.4.5 Unfruitful expenditure on procurement of equipment

Failure to synchronize various activities of the Regional Referral Service Centre, Amravati for making it operational resulted in denial of specialised medical services to rural population. Investment of Rs 53.73 lakh on the equipment was rendered unfruitful.

Under the policy (March 1996) to provide specialised medical treatment to rural population through Regional Referral Service Centres (RRSC), Government decided (August 1998) to establish a RRSC at Amravati. Referral services in Urology, Nephrology, Kidney transplantation, Plastic surgery and Pediatric surgery were to be provided in the first phase.

Scrutiny (February and March 2007) of the records of the Medical Superintendent, RRSC, Amravati disclosed that out of 319³¹ posts sanctioned (November 2006) for the RRSC 10³² posts relating to only support staff were filled up (March 2007) without filling up the posts of Specialists / Doctors. Provision for pay and allowances for these posts for 2006-08 was also not made. Further, building for the RRSC completed (July 2007) at the cost of Rs 7.90 crore had not been taken over by the Medical Superintendent of RRSC. Consequently, machinery and equipment purchased in March 2006 at the cost of Rs 53.73 lakh were lying unused (July 2007).

Thus, the RRSC was not operational due to non-filling up of posts of Specialists/Doctors which led to unfruitful expenditure of Rs 53.73 lakh on machinery and equipment. Medical Superintendent stated (March 2007) that recruitment of the staff was in progress.

The matter was reported to the Principal Secretary to the Government in March 2007. Reply had not been received (August 2007).

³¹ Administrative Staff – 16, Specialized Doctors – 30, Medical Officers – 6, Staff Nurses – 49, Supporting Staff (Technical) – 41 and Contractual Staff (including Group D) – 177 posts

³² Administrative staff-1, Medical Officers-1, Staff Nurse-5, Supporting Staff (Technical)-3

Departments of Public Works and Rural Development & Water Conservation

4.4.6 Idle investment on works

Failure of the Department in acquiring the land required for approach roads of a bridge and the canals of a minor irrigation work resulted in idle investment of Rs 3.36 crore.

i) The Government administratively approved (February 1999) construction of a bridge on Pitadwal River at an estimated cost of Rs 2.65 crore, to provide connectivity to the people of three villages³³ with the market place at Kudal and the district headquarters at Sindhudurg. While according the approval, Government stipulated that possession of the land required for the approach roads for the bridge should be taken before the work was technically sanctioned. The Chief Engineer, Mumbai Region, however, accorded (June 2000) technical sanction for the work at a cost of Rs 1.86 crore with the direction to the Executive Engineer (EE) that necessary action should be taken for acquisition of the land so that the bridge could be used immediately on its completion.

The EE, Public Works Division, Sawantwadi awarded the work to a contractor for Rs 1.53 crore in April 2001 which was completed in December 2004 at a cost of Rs 1.73 crore. The approach roads were, however, not constructed as of January 2007 due to non-acquisition of land.

Scrutiny (September 2006) disclosed that the proposal for land acquisition was initiated by EE only in January 2003. After prolonged correspondence, the Special Land Acquisition Officer demanded (March 2006) Rs 27.88 lakh. It was observed that this amount had not been deposited till February 2007 due to non-provision of funds during the year 2006-2007.

According of the technical sanction for the work by the Chief Engineer and its execution by EE without acquiring the land required for the approach roads, contrary to the Government's directive, resulted in idle investment of Rs 1.73 crore on the bridge.

The EE stated (January 2007) that the work of construction of the bridge had been taken up and completed in order to prevent lapse of the grant received from HUDCO for this work. Besides, there was no loss to the Government on issuing the work order prior to acquisition of the land.

The reply was not tenable because the land acquisition process was initiated only in January 2003 and had not been completed, resulting in idling of the bridge for the last two and half years.

³³ Anav, Pandur and Sukalwad

ii) Construction of a Minor Irrigation Project at Khojewadi for irrigating 125 hectares of land in Gangapur Taluka of Aurangabad District without the approved right bank canal of one kilometre (km) length was completed in June 2003. As of July 2007, expenditure incurred was Rs 1.63 crore.

Scrutiny (August 2004 and April 2007) of the records of the Executive Engineer (EE) Minor Irrigation Local Sector (LS) Division, Aurangabad (Division) revealed that only after completion of the work in June 2003, EE brought (July 2003) to the notice of the Chief Engineer, (CE) Minor Irrigation (LS), Pune that the alignment of the canal required deep excavation in black cotton soil in initial reach and the land owners were also not prepared to part with their fertile land. In June 2004, the CE directed the EE to examine utilisation of water by lift irrigation by deleting the proposal for canal. The proposal for lift irrigation, however, had not been approved. Instead, the EE conducted (October 2006) a fresh survey for alternate canal alignment of 2.04 km length. However, in absence of the land required for the new alignment of the canal and sanction to expenditure for completion of canal system, the completed work had not been put to use. Thus, due to failure of the Division in deciding an appropriate alignment for canal and not having the land in possession led to idling of the investment of Rs 1.63 crore on the project besides denial of intended benefits to cultivators.

The CE stated (May 2007) that steps to obtain revised administrative approval would be initiated.

The matters were reported to the Principal Secretaries to the Government in April and May 2007. Reply had not been received (August 2007).

4.5 Regulatory issues and other points of interest

Finance Department

4.5.1 Excess payment of pensionary dues

Failure of the Treasury Officers to monitor payment of retirement benefits resulted in excess payment of Rs 23.72 lakh.

As per the Maharashtra Civil Services (Pension) Rules, 1984, Family Pension (FP) at full rate shall be paid upto the period of seven years from the date of death of Government servant or the date of his attainment of age of 65 years if he had been alive whichever is less. Scrutiny (July 2006 to March 2007) of records revealed that non-reduction of Family Pension from specific date by the Treasury Officers³⁴ in 74 cases resulted (August 1982 to December 2006) in excess payment of Family Pension of Rs 14.37 lakh.

³⁴ Akola, Beed, Buldhana, Chandrapur, Gondia, Hingoli, Nagpur, Parbhani, Wardha, Washim and Yavatmal

Similarly, Rule 6 of the Maharashtra Civil Services (Commutation of Pension) Rules, 1984 provides that in the case of the retired official who is drawing his pension from a treasury, the reduction in the amount of pension on account of commutation shall be operative from the date of receipt of the commuted value of pension or at the end of three months after issue of the authority by the Accountant General for the payment of commuted value of pension whichever is earlier. It was observed in Amravati and Yavatmal treasuries that in 13 cases, non-adjustment of commuted value of pension (CVP) resulted (July 1999 to March 2007) in excess payment of Rs 3.13 lakh.

Further, Government dues recoverable from the Government servants shall be assessed by the Head of the office and same shall be recovered from their Death Cum Retirement Gratuity. It was observed in 7³⁵ treasuries that, in 31 cases, Rs 6.22 lakh due for recovery (May 1998 to May 2006) from Government servants was not recovered.

On this being pointed out in audit, Treasury Officers made recovery of Rs 5.90 lakh (FP: Rs 5.46 lakh, CVP: 0.12 lakh and Gratuity: Rs 0.32 lakh) and assured to effect recovery of the balance amount.

The matter was reported to the Principal Secretary to the Government in July 2007. Reply has not been received (August 2007).

Housing Department

Maharashtra Housing and Area Development Authority

4.5.2 Government stayed recovery of water charges from housing societies

Issue of a stay order by the Government without assigning any reasons, for recovery of water charges at revised rates resulted in non-recovery of water charges of Rs 1.68 crore from co-operative housing societies.

The Maharashtra Housing and Area Development Authority (MHADA) launched (May 2003) a special drive for speedy conveyance of buildings to co-operative housing societies (CHSs). This was done with the intention of handing over the responsibility of carrying out services such as constructing, repairing, rebuilding, cleaning common areas, providing water supply *etc.*, to CHSs so as to reduce the expenditure incurred by MHADA towards providing such services. As an incentive, the buildings which were conveyed upto December 2004, were exempted from payment of the revised enhanced service charges which were effective from 1 April 1998. Service charges prevailing on 31 March 1998 were only to be recovered from such buildings.

³⁵ Amravati, Buldhana, Gadchiroli, Gondia, Nagpur, Parbhani and Yavatmal

Scrutiny (April 2007) of the records of the Estate Manager of the Konkan Housing and Area Development Board (KHADB), a unit of MHADA, revealed that KHADB had conveyed during October 2003 to July 2005, 2454 out of 3959 tenements in 72 buildings in Vartak Nagar, Thane to the concerned CHSs. As per the sale deeds executed by KHADB with CHSs, in case separate water connections were not provided, CHSs were to pay to KHADB, proportionate water charges as fixed by KHADB. Since there were no separate water meters for the conveyed buildings, KHADB was paying the water charges in respect of all the buildings in the colony. KHADB fixed water charges³⁶ on pro-rata basis in respect of the conveyed buildings and raised (January 2006) demands with the respective CHSs, as per the provision contained in the sale deed.

At the instance of a representation from local political representatives regarding enhanced water charges, citing an earlier stay on revision of service charges in MHADA colonies in Mumbai, the Government stayed (April 2006) the recovery of enhanced service charges until further orders, without assigning any reason. This resulted in non-recovery of the KHADB's dues of Rs 1.68 crore for the period from January 2005 to April 2007. Besides, the intention of reducing the expenses of MHADA towards water supply to the tenants, by conveying the tenements and waiving off the enhanced service charges for the earlier period was defeated.

The Principal Secretary stated (October 2007) that the Government had vacated (October 2007) the stay and had directed the Vice President and Chief Executive Officer MHADA to take further necessary action in the matter as per rules. Further progress in the matter was awaited.

Water Resources Department

4.5.3 Irregular allotment of works

Independent works costing Rs 24.01 crore were allotted to contractors as extra items or additional items without inviting tenders in violation of the manual provisions.

As per the provisions contained in Para 200 of the Maharashtra Public Works (MPW) Manual, tenders were to be invariably invited publicly for awarding any work. However, when calling for tenders through advertisements was not possible due to urgency, competitive tenders from several capable contractors were to be invited under the orders of the Superintending Engineer.

³⁶ Rs 216 per month and Rs 302 per month per tenement on *pro rata* basis from the conveyed tenements where water was supplied directly and where it was supplied through pumps, respectively.

Scrutiny (November 2005 and December 2006) of the records of the following four works divisions showed that independent works costing Rs 24.01 crore were allotted to the contractors as additional works without inviting tenders, in violation of manual provisions as detailed below. As a result the Department had also been deprived of the benefit of getting competitive bids.

Name of the original work	Audit observations
(1)	(2)
RCC Box culvert at Ch 20/130 (20/070) on the Tillari right bank canal near village Panturli under EE, Tillari Canal Division I, Charathe.	The work of construction of an RCC Box culvert and earthwork at Ch 9/220 on the Tillari left bank canal, at a different location, was awarded (August 2000) for Rs 5.19 crore to the same agency as an additional work under Clause 38 ³⁷ of the said agreement, without calling for tenders. The work was physically completed in March 2002 and an expenditure of Rs 9.16 crore had been incurred as of February 2005. EE stated (January 2007) that the RCC Box culvert at Ch 9/220 had been classified as one of the bottleneck structures. The work was to be completed before completion of the Tillari main dam gorge filling phase I. The work had been awarded to the same agency with the approval (June 2000) of Government. The reply was not tenable as the work was awarded without calling tenders. Further, since this was a separate work, awarding the same under clause 38 was irregular.
Kal-Kumbhe Dam at village Kumbhe, Taluka Mangaon, District Raigad under EE, Raigad Irrigation Division, Kolad	The site of Kumbhe dam was 16 km away from Nizampur city in Raigad District. There was only a six km road from Nizampur to Chanch and an approach road of 10 km was required to be constructed from Chanch to Kumbhe. The work of the first five km approach road was awarded to different agencies between March and August 2004. An expenditure of Rs 4.82 crore was incurred on these works. The work of approach road from six to 10 km was awarded (July 2005) for Rs 6.74 crore as an additional work under Clause 14 of the agreement, without calling for tenders. The work was started in October 2005 and was in progress as of January 2007. EE stated (January 2007) that this was an integrated hydro – electric project, included in the “Konkan Development Time Bound Programme 1996”. The procedure for inviting tenders and fixation of the agency for the dam work and approach road was taken up simultaneously. As the topography in the region was having a slope on one side and a deep valley on the other, in order to achieve a safe, economical and smooth approach, various alternatives were studied and final approval was obtained in April 2005. A period of about six to eight months was required for the tendering procedure and fixing the agency for the work. The contention was not tenable because the department had issued the work order in July 2005 but the work was started only in October 2005. There was, therefore, sufficient time for calling for tenders from capable contractors as per the provisions of the MPW Manual. As the additional work had not cropped up due to any changes in designs, drawings or specification, awarding the same under Clause 14 without calling for tenders was irregular.

³⁷ Clause 38 of the agreement regulates the payment for execution of excess quantity of any item of the tender over 125 *per cent* of the tendered quantity

(1)	(2)
Tail race tunnel, tail surge well and lower intake structure of the Ghatghar Pumped Storage Scheme under EE Ghatghar Pumped Storage Hydro Electric Division No 2, Chonde.	<p>In June 2005, there was an unexpected natural landslide at the dam site, which affected the project. The Committee of experts appointed by the Government to investigate the reasons for the landslide recommended (November 2005) a combination of a gravity protection wall and a closed conduit as a suitable pragmatic and permanent solution. As per the recommendation of the Chief Engineer, Koyna Project, Pune, the work was awarded (January 2006) for Rs 10.51 crore under Clause 14 of the contract, without inviting tenders. The works were completed in July 2006 after incurring an expenditure of Rs 7.78 crore.</p> <p>The Secretary, Water Resources Department stated (July 2007) that the works proposed for Lower Intake Protection were nothing but additions/alterations to the design and specification of the Lower Intake Approach Channel and Lower Intake Structure. Therefore the works were awarded to the agency as additional works under Clause 14 of the accepted tender. The reply was not acceptable because if they had been part of the original work, they should have been included in the original tender itself.</p>
All civil, electrical and mechanical works of the Dolvahal Hydro Electric Project under EE, Bhandardara Hydro Electric Division, Kalwa (2x1000 KW)	<p>The work of supply, erection, testing and commissioning of a 22 KV transmission line from the Maharashtra State Energy Distribution Company Limited Kolad switching station to Dolvahal Hydro Electric Project measuring 7.5 km was awarded (May 2006) for Rs 33.19 lakh as an additional work. In spite of publishing (April 2006) a notice inviting tender (NIT), to be opened on 6 June 2006, the Executive Engineer floated (May 2006) the proposal to award the work to the same contractor as an additional work on the ground of urgency and limited availability of time.</p> <p>EE stated (December 2006) that the work was awarded as an additional work to complete the project in time.</p> <p>The reply of the Department was not tenable as the work had not been completed as of April 2007.</p>

The matter was reported to the Secretary to the Government during April and June 2007. Replies, except for serial number 3, had not been received (August 2007).

Finance Department

4.5.4 Outstanding Inspection Reports, Departmental Audit Committee Meetings, Follow-up on Audit Reports and Action Taken Notes

Failure to enforce accountability and protect the interests of Government.

Outstanding Inspection Reports

The Accountant General (Audit) arranges to conduct periodical inspections of Government departments to test-check their transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) which are issued to the heads of the offices inspected with copies to the next higher authorities. Half yearly reports of pending IRs are sent to the

Secretaries of the concerned departments to facilitate monitoring of action taken on the audit observations included in these IRs.

The IRs issued up to December 2006, pertaining to 26 departments, disclosed that 31,059 paragraphs relating to 10,200 IRs were outstanding at the end of June 2007. Year-wise position of the outstanding IRs and paragraphs are detailed in the **Appendix 4.3**.

Departmental Audit Committee Meeting

In order to settle the outstanding audit observations contained in the IRs, Departmental Audit Committees have been constituted by the Government. During 2006-07, 12³⁸ out of the 26 departments convened 38 Audit Committee meetings wherein 4,545 paras were discussed and 2,441 paras were settled.

For ensuring prompt compliance and early clearance of the outstanding paragraphs, it is recommended that the Government should address this issue seriously and ensure that an effective procedure is put in place for (a) taking action against the officials who fail to send replies to IRs/paragraphs as per the prescribed time schedule, (b) recovering losses/outstanding advances/overpayments in a timebound manner and (c) revamping the system of responding to audit observations.

Follow up on Audit Reports

According to instructions issued by the Finance Department in March 1981, administrative departments were required to furnish Explanatory Memoranda (EMs) duly verified by Audit to the Maharashtra Legislature Secretariat in respect of paragraphs included in the Audit Reports, within one month of presenting the Audit Reports to the State Legislature. The administrative departments did not however, comply with these instructions.

As of July 2007, the position of outstanding EMs in respect of the Audit Reports from 2000-01 to 2005-06 was as below:

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2000-01	29 April 2002	43	37	6
2001-02	22 July 2003	51	39	12
2002-03	8 July 2004	48	27	21
2003-04	21 July 2005	48	24	24
2004-05	18 April 2006	39	13	26
2005-06	17 April 2007	38	2	36
Total		267	142	125

³⁸ Agriculture, Animal Husbandry Dairy Development and Fisheries, Higher and Technical Education, Industry, Energy and Labour, Irrigation, Law and Judiciary, Revenue and Forest, Rural Development and Water Conservation, School Education and Sports, Tribal Development, Water Resources and Water Supply and Sanitation

In addition to the above, EMs in respect of 85 paras relating to the period prior to 2000-01 were also outstanding. Department-wise details are given in **Appendix 4.4.**

Action Taken Notes

The Maharashtra Legislature Secretariat (MLS) Rules stipulate that Action Taken Notes (ATN) on the recommendations of the Public Accounts Committee (PAC) on those paragraphs of the Audit Reports that are discussed are required to be forwarded to the MLS duly verified by Audit. Likewise, ATNs indicating remedial/corrective action taken on the paras that are not discussed are also required to be forwarded to the PAC duly vetted by Audit. It was observed that there were inordinate delays and persistent failures on the part of a large number of departments in forwarding ATNs on audit paragraphs. Year-wise details of such paragraphs are indicated as follows:

Audit Report	Total number of paras in the ARs	Number of paras		ATN awaited in respect of paras	
		Discussed	Not discussed	Discussed	Not discussed
1985-86 to 1997-98	862	151	711	98	705
1998-99	47	10	37	10	37
1999-2000	55	7	48	4	48
2000-01	43	--	43	--	43
2001-02	51	--	51	--	51
2002-03	48	--	48	--	48
2003-04	48	--	48	--	48
2004-05	39	--	39	--	39
2005-06	38	--	38	--	38
Total	1231	168	1063	112	1057

The aforesaid points were reported to the Chief Secretary to the Government in August 2007. Reply had not been received (August 2007).