

## Chapter-IV

### 4. Transaction audit observations

Important audit findings emerging from test check of transactions made by the State Government companies and Statutory corporations are included in this Chapter.

#### Government companies

##### Annasaheb Patil Arthik Magas Vikas Mahamandal Limited

#### 4.1 *Infructuous expenditure on printing of brochure/posters*

**The Company incurred infructuous expenditure of Rs.49.05 lakh on printing of brochures/posters. Despite administrative enquiry establishing the lapse on the part of ex-Managing Director, the Government did not take any action against him.**

The Board of Directors (BOD) of the Company decided (June 2003) to print brochures, posters and loan applications for advertising various schemes undertaken by the Company for Economically Weaker Section. The BOD also decided that the printing work should be got done by calling tenders, and in all brochures/posters, only the photograph of late Shri Annasaheb Patil should be printed.

Audit scrutiny revealed the following:

- The then Managing Director (MD) without assessing the quantum/ requirement of brochures/posters, allotted the work (March-June 2004) to the printers on the basis of their quotations instead of calling tenders. The Company, during 2004-05, got 3.50 lakh brochures (Rs.25.50 lakh), three lakh posters (Rs.23.55 lakh) and application forms (Rs.2.25 lakh) printed from Mona Printers, Jyotirling Ruling Works and S.V. Printers, Mumbai respectively and paid Rs.51.30 lakh to them.
- In violation of BODs' directives (June 2003) the photographs of other VIP's/Chairman were prominently printed on brochures/posters. After the Assembly elections (November 2004) due to change in the State Government, the printed material became useless.

- No receipt and issue registers were maintained by the Company in the absence of which the actual receipt of material/despatch to field offices could not be ensured/verified.

At the instance (February 2005) of the State Government, the Commissioner, Employment and Self-Employment Directorate, State Government conducted (February 2005) enquiry against the ex-MD and enquiry report was submitted (July 2005) to the Government. Though the enquiry report clearly indicted the ex-MD for the wasteful expenditure, no action against the erring official has been taken so far (August 2007).

The Government stated (August 2007) that the case has been sent to Social Justice Department for action at their level. Further developments are still awaited (September 2007).

Thus, in view of above facts the total expenditure of Rs.49.05 lakh<sup>s</sup> was proved infructuous.

The matter was reported to the Management (June 2007); their reply is awaited (November 2007).

**City and Industrial Development Corporation of Maharashtra Limited**

**4.2 Extra expenditure due to delay in finalisation of tenders**

**The Company incurred extra expenditure of Rs.1.41 crore due to delay in finalisation of tender and also lost Central grants of Rs. five crore under ASIDE Scheme.**

The BODs approved (August 2000), the construction of Rail Over Bridge (ROB) for Nhava-Sheva Railway Station at Dronagiri which would connect Jawaharlal Nehru Port Trust complex directly to port based industries planned in Navi Mumbai Special Economic Zone (NMSEZ). The Government of India (GOI) subsequently approved (January 2002) the project under Assistance to State for Infrastructure Development Under Export Promotion Scheme (ASIDE) and sanctioned Rs. five crore (January 2002) with a condition that project should be completed within two years.

The Company invited (February 2001) tender for construction of above ROB with other allied works. The offers were received in May 2001 and technical bids opened. There was no price escalation clause in the tender. The validity of offer was 120 days *i.e.* up to 8th September 2001 and the work was required to be completed within 18 months (*i.e.* up to February 2003) from the date of allotment of work.

It was observed that the Company did not process the price bids as the location of ROB was not approved by the Technical Consultant (TC) for NMSEZ; the

<sup>s</sup> Rs. 49.05 lakh (brochures: Rs.25.50 lakh *plus* posters: Rs.23.55 lakh).

approval to which was received belatedly (September 2002). The bidders were asked, thereafter, to submit revised financial bids which were submitted (October 2002) and the lowest offer of Rs.19.72 crore was of one Venkata Rao, Navi Mumbai. In the meantime the Management decided (December 2002) to give aesthetic look to ROB and two of the lowest bidders (L-1 and L-2) were asked to quote for the same. Accordingly, the lowest bidder quoted (30 January 2003) Rs.25 lakh over and above Rs.19.72 crore initially quoted. The Company however, did not finalise the offer within extended validity period up to 25 February 2003 due to time taken for negotiations with the bidders, detailed review of revised technical details and revised drawing *etc.* The tender was ultimately cancelled. The Company reduced the length of ROB by 60 metres (from 540 to 480 metres) and awarded (February 2004) the work to one Vilayatiram Mittal, Navi Mumbai for Rs.20.66 crore being the lowest offer received in response to revised tender.

Meanwhile, due to delay in finalisation of the contract and slow progress of work, State Level Export Promotion Committee (SLEPC) decided (June 2005) to drop this work from the scope of ASIDE scheme thereby depriving the Company of the grant of Rs. five crore.

Thus, inviting tenders before receipt of technical approvals and non-finalisation of tenders within validity periods resulted in the Company incurring extra cost of Rs.1.41 crore (worked out based on rates received against initial tender and rates received against subsequent tender considering revised scope of work). Besides, it also lost Central grant of Rs. five crore under ASIDE.

The Management in its reply accepted (December 2005) that there was delay in getting approvals but stated that there was no extra expenditure, as the overall cost was within the original offer received.

The reply is not tenable, as failure to finalise bids in time resulted in loss of grants and extra cost on revised tenders received.

The matter was reported to the Government (May 2007); their reply is awaited (November 2007).

### **4.3 Delay in award of works**

**The Company incurred extra expenditure of Rs.2.55 crore due to avoidable delay in award of works.**

The Company invited (March 2004) tenders for five works of reclamation of land in Sector-17 to 24 and 31 at Kamothe Phase-II for Rs.20.42 crore, against which 14 offers were received and opened (11 March 2004).

The offers were valid up to 9 July 2004. The quotations of all the offers received were above 20 *per cent* of estimated cost. The Tender Committee scrutinised the offers and recommended (8 April 2004) the award of work at 12.5 *per cent* above the estimated cost which was agreed to by the bidders

(May 2004). Audit scrutiny revealed that the Company did not award the work within the validity period of offer but submitted (17 August 2004) the contract proposal to the BOD, by which time the validity of offers had expired. The work orders were issued (January 2005 to January 2006) to five contractors at the negotiated rates, but the contractors backed out of their agreed offers due to delay in conveying acceptance of their offer and insisted that they would accept the work only if escalation clause was included in the contract. The demand of the contractors was not accepted and the Company decided (September 2004) to re-tender the works. Reasons for delay in finalising the contract proposals were not on record. The tenders were re-invited (September 2004) with clause for payment of escalation.

It was observed that the same bidders quoted 33-37 *per cent* above the estimated costs but agreed (7 October 2004) during negotiations to execute the work at 25 *per cent* above the estimated cost. The Company awarded the works (December 2004) for a total value of Rs.25.52 crore to five contractors, thereby incurring extra expenditure of Rs.2.55 crore due to delay in award of works to the lowest bidders within validity period, besides accepting the liability for payment of escalation.

The Management stated (February 2007) that even if the contracts had been finalised at 12.5 *per cent* above estimated costs, the contractors would have found it difficult to complete the work due to rising prices and would have invited further claims and disputes.

The contention of the Management is not tenable in view of the fact that the contractors had initially agreed to execute the work at 12.5 *per cent* of the then offered rates (April 2004) which could not materialise due to unreasonable delay in award of contract by the Company. Further, the reply was silent on the reasons for non finalisation of the contract within the original validity period.

The matter was reported to the Government (June 2007); their reply is awaited (November 2007).

#### **4.4 Undue benefit to a private institute**

**The Company extended undue benefit of Rs.1.63 crore to Bharati Vidyapeeth, an educational institution by changing price structure for allotment of plots for higher education.**

As per the Land pricing and Disposal Policy being followed by the Company for allotment of plots to Educational Institutions in the State, plots for higher education were to be allotted at 50 *per cent* of the Reserve Price (RP) for area up to one hectare, 100 *per cent* of RP for area of one-two hectares and 150 *per cent* of RP for area in excess of two hectares.

It was, however, observed that the BODs approved (June 2004) and allotted the plot measuring two hectares (20,000 square metre) located in Sector-7, CBD-Belapur, for a dental college to be set up by Bharati Vidyapeeth

(Institute) at the flat rate of 50 *per cent* of RP instead of at 100 *per cent* of the RP as per its laid down policy.

The allotment of plot measuring two hectares for the dental college at the rate of Rs.1,625 per square metre (50 *per cent* of RP) was communicated (July 2005) to the institute and Rs.3.25 crore was received (August-September 2005) as premium.

Thus, the allotment of the entire area (two hectares) at 50 *per cent* of RP (Rs.3,250 per square metre) resulted in extension of an undue benefit of Rs.1.63 crore to the institute.

The matter was reported to the Government/Management (May 2007); their reply is awaited (November 2007).

#### **4.5 Undue benefit in the allotment of land**

**The Company suffered loss of revenue of Rs.81.33 lakh due to allotment of plot below the latest average tender rate of the area.**

New Satara Samooh, Mumbai (a trust registered in 2000) applied (January 2001) to the Company for allotment of plot of land measuring about 4,000-5,000 square metre with one FSI<sup>♦</sup> for residential purposes at the base rate of the node of Rs.6,250 per square metre. As per the Company's policy, the plots earmarked for residential purposes were required to be disposed off to the highest bidder on invitation of sealed tenders and hence, the Company informed (March 2001) the applicant to participate in the tender for disposal of plots, whenever it would be floated in the market.

The trust however, represented (September 2001) its case through the Honourable Minister of State for Urban Development Department of the State Government. Accordingly, the Company reconsidered its earlier decision and allotted (December 2002) two plots admeasuring 4,393.71 square metre in Sector-8 at Sanpada to the trust at a negotiated rate of Rs.8,000 per square metre for residential use with one FSI and received (November 2002) a lease premium of Rs.3.51 crore.

It was noticed that this rate was less than the latest average rates received in the area for sale of plots in May 2002 *i.e.* the time when the decision to allot the plots was taken. It was further revealed that the Chief Economist of the Company, during the process of finalisation of rates for this particular plot, had recommended (November 2001) to fix the rate at Rs.9,000 per square metre. The average rate in April 2002 before the decision of this allotment, as confirmed by the Company was Rs.9,851.10 per square metre in the same node.

Thus, the Company's decision to allot the residential plot of land on *suo moto* application without inviting tenders not only contravened its own

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<sup>♦</sup> Floor space index fixed by local authority. It is the *ratio* of the combined gross floor area of all floors (excluding areas specifically exempted) to the total area of the plot.

policy, but caused loss\* of revenue of Rs.81.33 lakh by allotting plots at negotiated rates and also resulted in extension of undue benefit to the trust. The negotiated rate also lacked transparency.

The matter was reported to the Government/Management (April 2007); their reply is awaited (November 2007).

**Maharashtra Agro Industries Development Corporation Limited**

**4.6 Avoidable expenditure of electrical charges**

**The Company incurred avoidable expenditure of Rs.19.16 lakh on electricity charges due to delay in reducing the contract demand of electricity.**

The Company had two production plants at Rasayani (District Raigad) for manufacture of Phosphate and NPK fertilisers. These plants were getting electric supply from the Maharashtra State Electricity Distribution Company Limited (erstwhile Maharashtra State Electricity Board) with connected load of 300 KVA and 250 KVA respectively.

Due to high processing costs, labour charges and thereby an overall uneconomic production cost, the Company stopped (October 2001) the production of Phosphate for which *post facto* approval was also given by the BOD (December 2003). The production of NPK fertilisers was also stopped from March 2004. The production of NPK was 816.75 MT and of single super phosphate 2,757.82 MT during October 2001 which was reduced to 86.50 MT and nil respectively during September 2004.

Since the closure of production activity was a considered decision of the Company, the reduction in contract demand of electricity was required to be reviewed in order to avoid payment of unnecessary huge electricity charges which were based on the original contract demand. The Company failed to do this in time and reduced the demand of 550 KVA to 100 KVA only with effect from September 2004 *i.e.* after a delay of four years in case of Phosphate plant and six months in case of NPK plant. The avoidable electricity charges paid in interim period were to the tune of Rs.19.16 lakh.

The Management stated (July 2007) that the production was not stopped but it had to be suspended taking into consideration the economic viability. The plant had to be kept in running condition by way of periodically running it, oiling, cleaning *etc.* and there was no delay in decision as reduction in contract demand was not possible until firm decision, to permanently stop the production was taken.

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\*Average tender rate of April Rs.9,851.10 per square metre – Rs.8,000 per square metre x area of plot 4,393.71 square metre.

The reply is not tenable because oiling operations/regular maintenance could have been done with reduced electric load of 100 KVA and payment of electricity charges of Rs.19.16 lakh could have been avoided.

The matter was reported to the Government (April 2007); their reply is awaited (November 2007).

**Maharashtra State Handicapped Finance and Development Corporation Limited**

**4.7 Lack of Internal Controls in Schemes relating to financial assistance**

**The Company did not recover loan dues of Rs.4.19 crore, from the beneficiaries due to lack of internal controls and poor monitoring of recoveries.**

The Company was established (March 2002) for assisting and promoting economic development including self employment and other activities for the benefit and rehabilitation of handicapped persons regardless of their religion, sex, caste and age. In this regard the Company extends financial assistance/loans/concessional finance to handicapped persons for implementing economically and financially viable schemes/projects; for pursuing education at graduation and higher levels; for upgradation/improvement of technical and entrepreneurial skills of the beneficiaries. The Company receives funds from the National Handicapped Finance and Development Corporation Limited (NHFDCL). The State Government also contributes towards the schemes. The loan amount disbursed varied from Rs.20,000 to Rupees five lakh per beneficiary, (loans of Rs.50,000 and above required sanction of the NHFDCL). Loans were repayable by the beneficiaries after a moratorium period of one quarter from the month of disbursement of the loan. The Company was recovering the loans either by cash or post dated cheques (PDCs) taken from the beneficiaries.

During the period 2002-07 the Company received Rs.40.52 crore from the NHFDCL. The details of financial assistance extended by the Company during 2002-07 and recovery position thereof are as under:

Year	No. of beneficiaries	Loans disbursed	Loan due for recovery	Loan recovered	Shortfall in recovery
		(Rupees in lakh)			
2002-03	42	25.52	---	---	---
2003-04	1,413	455.45	21.13	1.68	19.45
2004-05	961	754.38	101.51	59.52	41.99
2005-06	1,330	676.26	182.26	15.89	166.37
2006-07	1,590	884.00	268.55	77.78	190.77
<b>Total</b>	<b>5,336</b>	<b>2,795.61</b>	<b>573.45</b>	<b>154.87</b>	<b>418.58</b>

(Source: Information furnished by the Company)

Audit scrutiny of the implementation of the schemes of financial assistance in the form of loans given to the beneficiaries revealed that the recovery of loans disbursed was very poor. The deficiencies noticed in system for sanction/disbursement of loans and monitoring of recovery thereof were as under:

- The work of disbursement and recovery of financial assistance at district level was carried out up to March 2005 through Maharashtra Small Scale Industries Development Corporation Limited and thereafter by Maharashtra Rajya Itar Magas Vargiya Vitta Va Vikas Mahamandal Limited. Thus, in the absence of its own district level staff, the implementation lacked coordination and control for timely and speedy disbursement and recovery of the loans. The Company did not have any details of district wise disbursement of loans.
- The BODs decided (2002) to open separate bank accounts of the Company at district offices to facilitate recoveries of loan, but it took three years to implement the decision (May 2005). Meanwhile the Company utilised the bank accounts of implementing agencies for financial transactions pertaining to its various schemes. It was observed that no reconciliation of inter-Company transactions was carried out as of May 2007.
- Since the personal ledger account of beneficiaries and details of financial transactions were maintained in district offices of the implementing agencies, it was necessary for the Company to have a dependable and efficient Management Information System (MIS) to monitor and supervise its operations. It was, however, noticed, that the data available with the Company was as informed by implementing agencies which had not been verified by the Company. Many of the PDCs, given by the beneficiaries had bounced at all regional offices for want of funds in their accounts. The Company had not taken any remedial action for recovery of the defaulted dues. No action was also taken for setting up a dependable MIS as of September 2007.
- Internal audit had been outsourced (from 2002-03 onwards) and conducted, by a private firms of Chartered Accountants, up to 2004-05. The internal audit brought out various irregularities such as disability certificates, proof of date of birth, ration cards, photos, guarantors' information and hypothecation deeds not being available on records in sanctioned cases. Neither remedial action was taken nor the matter reported to the BOD.

Consequently on account of poor internal controls and poor monitoring of loan recovery as against loan due for recovery of Rs.5.74 crore, the Company was able to recover only Rs.1.55 crore, leaving an outstanding unrecovered balance of Rs.4.19 crore (May 2007).

The Management stated (October 2007) that efforts were on to recover the dues of Rs.4.19 crore from the beneficiaries. This would be possible only after recruiting personnel at district level for which proposal for sanctioning the post was pending with the Government.



The matter was reported to the Government (August 2007); their reply is awaited (November 2007).

**Maharashtra State Electricity Distribution Company Limited**

**4.8 Loss of revenue due to delayed submission of claim**

**The Company failed to submit fixed transit losses in its claim for fuel adjustment cost within stipulated period resulting in loss of revenue of Rs.10.57 crore.**

According to Maharashtra Electricity Regulatory Commission (MERC) (Terms and Conditions of Tariff) Regulations, 2005, effective from 1<sup>st</sup> September 2005, distribution licensee can claim increased cost of power generation and power procured due to changes in fuel cost, based on actual mechanism through the Fuel Adjustment Cost (FAC). The FAC has to be computed and charged on the basis of actual variations in fuel cost and the approval of the MERC has to be obtained prior to passing on/charging of FAC to consumers. As per the Regulations *ibid*, details are required to be submitted by the distribution licensee in stipulated format to the MERC on quarterly basis for the FAC incurred alongwith the detailed computations and supporting documents as may be required for verification by the MERC.

The Company was incorporated on 6 June 2005 and was the distribution licensee for electricity in the State and parts of Suburban Mumbai City. It submitted (March 2006) its claim for levy of FAC for the period October 2005 to February 2006. It was noticed that the claim for the month of October 2005 included an amount of Rs.10.57 crore towards past transit losses pertaining to the period 15 October 2004 to 31 May 2005 in respect of Parli Thermal Power Station, which could not be claimed earlier as FAC. The MERC disallowed (May 2006) the claim of Rs.10.57 crore, as the transit loss pertained to prior period.

The Management stated (October 2007) that the Company in calculation of FAC for October 2005 has claimed transit loss as submitted by its Sister Generation Company, Maharashtra State Power Generation Company Limited (MSPGCL), MERC had disallowed the same as it was pertaining to prior period and the same could not be passed on to the MSPGCL. In view of this, there was no loss to the Company.

The reply is not tenable, as the fact remained that the losses were not claimed in time and could not be recovered from the consumers resulting in a revenue loss to the Company.

The matter was reported to the Government (June 2007); their reply is awaited (November 2007).

#### 4.9 Short recovery of electricity charges

**The Company short recovered Rs.93.38 lakh on account of electricity charges due to wrong categorisation of commercial consumer as industrial consumer.**

Billing for electricity consumption is done by the Company for its High Tension (HT) consumers by applying HT tariff as approved by the Maharashtra Electricity Regulatory Commission from time to time. According to HT tariff order<sup>s</sup> for residential and commercial complexes taking electric supply at one point and further distributing to the units/shops, tariff item HTP-VI is applicable and for industrial consumer HTP-I tariff is applicable.

It was noticed that the Vashi circle of the Company had billed one HT consumer-Fashion Life Style (India) Limited, who is running a shopping mall called 'Centre One Mall' at Vashi by wrongly categorising the consumer as "industrial consumer" instead of a "commercial consumer". The consumer was billed by applying HTP-I tariff (Demand charges Rs.325/350 per KVA and energy charges Rs.2.15/2.85 per unit) instead of HTP-VI tariff (Demand charges Rs.100/125 per KVA and energy charges Rs.3.50 per unit). Thus, the consumer was wrongly billed for the period from July 2003 to March 2007 which resulted in short recovery of Rs.93.38 lakh from the consumer for the above period. The incorrect billing would continue till the consumer is billed correctly as per tariff.

The matter was reported to the Government/Management (May/August 2007); their reply is awaited (November 2007).

### **Maharashtra State Power Generation Company Limited**

#### 4.10 Avoidable payment of excess water charges

**The Company did not pay for water charges based on actual quantity lifted by installing electronic measuring devices as per terms of the Agreement, resulting in avoidable payment of excess water charges of Rs.10.52 crore.**

The Thermal Power Station (TPS) at Eklahare, Nashik entered into an agreement (February 2005) with the Irrigation Department (ID) for lifting of water from the Godavari river. The requirement of water for power generation was being fulfilled by lifting of water from the Godavari river by paying water charges to the ID on the quantity of water equivalent to 90 *per cent* of the sanctioned quota. The actual water consumption is being determined on the basis of the capacity of pumps fixed by the Company for lifting of water.

<sup>s</sup> HT tariff order No.004172 dated 2 February 2002 of Maharashtra State Electricity Board effective from 1 January 2002 and HT tariff order No.0017 of Maharashtra State Electricity Board effective from 1 December 2003.

The sanctioned quota of water was 1,200 MCFT/per year (1,080 MCFT per year for industrial purpose and 120 MCFT/per year for domestic purpose). The rates accepted were Rs.71.50 per 10,000 litres for industrial purpose and rupees five per 10,000 litres for domestic purpose *plus 20 per cent* local tax. The monthly sanctioned quota for industrial purpose and domestic purpose was 27,86,81,200 and 4,56,18,800 litres respectively (90 *per cent* of which worked out to 25,08,13,080 and 4,10,56,920 litres).

Audit scrutiny revealed that as per agreement, the Company was required to provide electronic meters for measurement of actual water consumption failing which, the charges were payable based on 90 *per cent* of the sanctioned quota. However, the TPS had not installed electronic metering devices as per the agreement (September 2007).

During the period June 2005 to January 2007, water charges for industrial water based on 90 *per cent* of sanctioned quota, paid by the TPS to the ID were Rs.42.32 crore, whereas the same charges based on the actual consumption of water as calculated by the TPS on the basis of capacity of the pump, worked out to Rs.31.80 crore only (3,706.24 crore litres at the rate of Rs.71.50 per 10,000 litres *plus 20 per cent* local taxes).

Thus, the Company paid avoidable excess water charges amounting to Rs.10.52 crore due to non installation of the electronic meters.

Further, the agreement provided concessional rates for lifting of water during rainy season. It was observed that the Company did not avail any concessions (June 2005 to January 2007).

The matter was reported to the Government/Management (August 2007); their reply is awaited (November 2007).

### **Maharashtra State Road Development Corporation Limited**

#### **4.11 Loss of revenue in toll collection contract**

**The Company awarded the toll collection contract on Thane-Ghodbunder Road to Ideal Road Builders Private Limited by fixing lower reserve price and suffered loss of Rs.5.93 crore and also passed on an avoidable burden of Rs.95.56 crore on the general public by way of toll for 15 years.**

The Company executed the project of Thane-Ghodbunder Road on Build Operate and Transfer (BOT) basis as approved by the State Government. The work was completed (November 2002) at a cost of Rs.60.38 crore and the Company had incurred expenditure of Rs.11.87 crore on maintenance of the road up to the year 2005-06. The toll collection on the road started from 1 December 2002 and the Company collected (December 2002 to November 2005) toll of Rs.28.01 crore leaving a balance of Rs.44.24 crore.

The Company decided (January 2005) to award a composite contract for improvements, toll collection and operation and maintenance of the road for a period of 15 years on upfront payment basis and invited (February 2005) tenders. Scrutiny revealed as follows:

- Based on the Consultant's study (Ernst and Young) the Company fixed the reserve price for the toll contract at Rs.115 crore (net of toll revenues and expenditure on maintenance of road). The reserve price fixed failed to take in to account the revenue realisation based on last toll collection contract (July 2005), which had been awarded to Ideal Road Builders (IRB). The minimum reserve price worked out by the audit based on the last contract rates, amounted to Rs.146.33 crore<sup>s</sup> instead of Rs.115 crore. Infact, based on the last contract, as traffic is bound to increase, the reserve price should have been fixed accordingly. Thus, the reserve price fixed was lower by Rs.31.33 crore. Consequently, IRB got the contract despite quoting lower than what they were paying under the earlier contract.
- The Company had asked (February 2005) the bidders to furnish their projected revenue and expenditure details alongwith the composite bid for upfront payment of toll. Details of offers received (April 2005) from first five bidders were as under:

*(Rupees in crore)*

Sl. No.	Name of the Bidder	Net present value for 15 years projections		Net present value of net revenue (3-4)	Upfront payment quoted
		Revenue	Expenditure		
1	2	3	4	5	6
1.	Ashoka Buildcon Limited	316.09	87.83	228.26 (H-1)	130.80 (H-4)
2.	Ideal Road Builders Private Limited	296.50	84.97	211.53 (H-2)	138.60 (H-1)
3.	Ajmera Plus Expressway	242.91	73.68	169.23 (H-4)	137.88 (H-2)
4.	Gammon Infrastructure	290.03	84.62	205.41 (H-3)	130.50 (H-5)
5.	MSK Projects (India) Limited	237.71	196.40	41.31 (H-5)	133.20 (H-3)

*(Source: Comparative statement of offers received).*

It could be seen from above table that the net present value (NPV) of net revenue (revenue less expenditure) of Ashoka Buildcon Limited was highest (Rs.228.26 crore) and more by Rs.16.73 crore as compared to the IRB's quote (Rs.211.53 crore). However, the contract was awarded to IRB on the basis of highest upfront payment quote. The Company did not invite Ashoka Buildcon Limited for negotiations, though their NPV projections were highest. The offer of IRB was negotiated and the Company awarded (December 2005) them the contract on upfront basis of Rs.140.40 crore. Had the Company fixed the

<sup>s</sup> On the basis of weekly collection of Rs.31.22 lakh the yearly toll collection worked out to Rs.16.89 crore and NPV of toll collection for 15 years at eight *per cent* discount rate worked out to Rs.146.33 crore.

reserve price of Rs.146.33 crore considering the rates of previous contract, it could have earned additional revenue of at least Rs.5.93 crore. Incidentally the same contractor had been awarded the composite toll cum maintenance contract for another prestigious project of the Company viz. Construction of Mumbai-Pune Expressway, a review on which has featured in the Audit Report (Commercial), State Government for the year 2004-05. Moreover four toll collection contracts were given to the same contractor thereby creating a monopoly of the same contractor in toll collection work.

- While deciding the toll contract, the balance expenditure recoverable through toll from the public was Rs.44.84 crore whereas the Company awarded the toll contract for 15 years for Rs.140.40 crore and have thus passed on an avoidable burden of Rs.95.56 crore on the toll paying public. The award of toll contract to IRB was thus not in public interest.

The matter was reported to the Government/Management (June 2007); their reply is awaited (November 2007).

#### 4.12 Delay in leasing of telecom ducts

**The Company failed to lease out telecom ducts for more than four years resulting in loss of revenue amounting to Rs.14.68 crore.**

The Company installed (2002) thirty five High Density Poly Euretene ducts for laying fibre optic cable along Mumbai-Pune Expressway at a total cost of Rs.12.46 crore with a view to meet the increasing demand of telecommunication industries.

In the project report submitted (August 1999) to the BODs for approval, it was expected that the cost of the project would be recovered within five years by leasing out ducts to various users. On the basis of expression of interest received (2002) from seven telecom Companies, 1,475 kilometre of length pertaining to eight out of 35 ducts were allotted as per the following details:

Sl. No.	Location	Rate of leasing (Rupees per month per metre per duct)	Number of ducts	Cost (Rupees in crore)	No. of ducts allotted (Year)	
					(Length in kilometre)	
1.	Mulund-Turbe	--	4 (60)	Nil*	Nil	4 (60)
2.	Mulund-Turbe	2.50	6 (90)	0.66	4 (May 2002)	2
3.	BARC-Kalamboli	2.50	15 (375)	1.16	3 (March-May 2002)	12
4.	Kalamboli-Dehu Road	--	10 (950)	10.64	1 (October 2002)	9
	<b>Total</b>		<b>35 (1,475)</b>	<b>12.46</b>	<b>8 (252)</b>	<b>27 (1,223)</b>

(Figures in brackets indicate length of ducts in kilometres)

(Source: Data collected from records of the Company).

\* Ducts free of cost provided by Reliance Industries Limited.

Audit observed that the Company did not explore the opportunity of leasing out remaining ducts from 2002 till August 2006. The Company after more than four years invited tender (August 2006) for leasing out the remaining ducts and eight parties submitted (September 2006) their offers (Rs.3.27 crore per annum) which were under consideration (May 2007).

Thus, due to lack of efforts on the part of the Management, 27 ducts (1,223 kilometres) remained idle over a period of four years (2002-06) resulting in loss of potential revenue of Rs.14.68 crore at the rate charged for allotted ducts *i.e.* Rs.3.67 crore per annum. Besides, expenditure of Rs.32.46 lakh incurred by the Company on maintenance of these ducts till 2005-06 proved wasteful.

The Management stated (January 2007) that offers received from eight successful bidders who quoted Rs.3.27 crore per annum were under consideration and there was no wasteful expenditure as the Company would get benefit in due course. No comments were, however, offered regarding unreasonable delay of more than four years in allotment of the duct by the Company.

The matter was reported to the Government/Management (June 2007); their reply is awaited (November 2007).

#### **4.13 Loss due to execution of financially unviable project**

**The Company suffered a loss of Rs.12.43 crore due to execution of works relating to the improvement of a road at the instance of the Public Works Department for which toll collection efforts failed.**

The Company was entrusted (January 2001) the project for improvement of Satara-Chalkewadi-Ghanbi-Patan road on build, operate and transfer (BOT) basis by the Public Works Department (PWD). The total length of the road was about 64 kilometres; out of which 20 kilometres was within the jurisdiction of the Maharashtra Energy Development Authority (MEDA) and road was also being maintained by them till then, as the same was being used by the windmillers. As the improvement of the remaining road of 44 kilometres was beneficial to the windmill projects, MEDA agreed (February 2001) and paid a capital contribution of Rs. five crore to the Company as per agreement. The Company started (February 2001) and completed (December 2002) the work of improvement of the road (44 kilometre) at a total cost of Rs.17.43 crore (Rs.12.43 crore net cost after deducting Rs. five crore received from MEDA).

The road was finally handed over (August 2005) to the Zilla Parishad, Satara for maintenance purpose and the toll collection rights were kept with the Company. Audit scrutiny revealed that the Company's efforts (2002-04) to raise/collect toll on the completed road did not materialise due to low offers received for the toll contracts and public resistance to the toll.

Thus, the decision of the Company to embark on such a financially unviable project at the instance of the State Government (PWD) resulted in loss of Rs.12.43 crore to the Company, incurred on improvement of the road.

The Management in its interim reply (May 2007) accepted the audit observation and stated that it was pursuing reimbursement from the State Government. The reply is not convincing as the project was passed on to the Company on BOT basis. As per commercial practices the Company should have conducted a feasibility study on the expenditure and revenue before undertaking the project.

The matter was reported to the Government/Management (July 2007); their reply is awaited (November 2007).

#### **4.14 Undue benefit to contractor**

**The Company suffered a loss of revenue of Rs.23.50 crore due to extension of contract for toll collection without calling for tenders and loss of Rs.2.81 crore on account of allowing irregular rebate and undue collection of toll by the contractor in respect of BEST buses.**

The Company awarded (November 2002) the contract for toll collection at five• entry points of Mumbai City to Ideal Road Builders Private Limited (IRB), Mumbai on upfront payment of Rs.225 crore for three years starting from 1 December 2002. Immediately after one month (December 2002), the contract was extended for further three years up to November 2008 by accepting additional upfront payment of Rs.201.50 crore without calling for tenders. Further, as per terms of the contract with IRB, the Brihan Mumbai Electric Supply and Transport Undertaking (BEST) was required to pay toll charges, directly to the Company in respect of selective BEST buses coming from Mumbai side crossing the toll naka of Dahisar and entering into Dahisar Bus Depot.

In this connection, Audit scrutiny revealed the following:

- **The extension in contract period of three years immediately after one month of award of contract on the same terms and condition without calling for the competitive bids or checking performance or any recorded justification of volume of traffic was irregular and lacked transparency. The upfront payment, which should have been increased considering the traffic increase, was actually reduced by Rs.23.50 crore compared with original contract value, this resulted in revenue loss to the Company and undue benefit to the contractor. The Company also did not ensure the correctness of toll revenue collected by the contractor by fixing the vehicle counting machine.**

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• Airoli bridge, Dahisar on Western Express Highway, Mulund on Eastern Express Highway, Mulund-Thane (West) on LBS Marg and Vashi on Sion-Panvel Highway.

- As per contract, the Company was to collect toll charges from BEST. Despite this clear condition, the contractor demanded (May 2003/ December 2004) rebate on the contract value (Rs.225 crore). Instead of rejecting the claim, the BODs allowed a lump sum rebate of Rs.1.32 crore to the IRB (December 2002 to November 2004) on the ground that the contractor had considered the BEST buses traffic in his offer. The contention of the Management was, however, not valid considering the fact that the IRB, even prior to award of the toll collection contract in December 2000, was acting as toll collection agent on behalf of the Company on the same locations. As such, IRB was fully aware of the situation about the toll collection arrangements with BEST buses traffic. Thus, the rebate was granted in violation of the contract condition, which amounted to undue benefit to the contractor.
- The basis on which IRB was allowed rebate of Rs.1.32 crore could not be verified in audit.
- The Company did not advise the BEST to pay the toll directly to them as stipulated in the contract and hence the BEST paid the toll of Rs.1.49 crore (April 2004 to March 2007) to IRB, out of which Rs.31.22 lakh related to the period April 2004 to November 2004 for which rebate had already been allowed to the IRB. This amounted to double benefit to IRB.
- The Company also failed to claim the outstanding toll charges from BEST relating to the period from December 2002 to March 2004 against which the Company had already allowed rebate to IRB. The uncollected toll for the period not recovered till May 2007 amounted to Rs.1.01 crore.

Thus, the Company suffered a total loss of Rs.26.31 crore on lesser upfront payment of Rs.23.50 crore on extension of contract and Rs.2.81 crore on account of allowing irregular rebate (Rs.1.32 crore) and undue collection of toll (Rs.1.49 crore) by IRB. This resulted in undue benefit to the contractor in violation of the terms of the contract and irregular extension of contract.

The matter was reported to the Government/Management (July 2007); their reply is awaited (November 2007).

#### **4.15 Non recovery of toll dues**

**The Company did not ensure timely recovery action resulting in non-recovery of toll dues of Rs.1.46 crore.**

The Company had estimated (September 2003) revenue of Rs.3.83 crore from the toll collection at Fursungi Rail Over Bridge (ROB) near Pune. The contract for toll collection was awarded (December 2003) to Jai Bhavani Enterprises, Pune for Rs.2.65 crore for one year (1 January to 30 December 2004). Performance security of Rs.19 lakh in the form of bank guarantee and security deposit of Rs.19 lakh in cash were paid (December 2003) by the contractor. The contractor was required to pay weekly instalments of Rs.5.17 lakh failing which interest at the rate of 24 per cent per annum was leviable.



It was noticed that the contractor was irregular in payment since commencement of the contract. Default for major amount (Rs.2.17 lakh per week) started from 24th week and the contractor completely stopped the payment from 45th week. The claim of the contractor was that there was reduction in toll collection due to diversion of traffic to newly constructed by pass road, which aspects were known to the contractor before finalisation of the contract. The Management instead of cancelling the contract extended (December 2004) the same by 18 weeks (31 December 2004 to 4 May 2005). By then arrears of Rs.53.12 lakh (excluding interest) out of total contracted amount of Rs.2.65 crore relating to the original contract period were due from the contractor.

The contractor did not pay any toll proceeds during the extended period and the total dues accumulated to Rs.1.46 crore (excluding interest of Rs.84 lakh) as on March 2007. The Government/Management stated (November/April 2007) that in order to recover the dues it had encashed the bank guarantee for Rs.19 lakh apart from forfeiture of security deposit of Rs.19 lakh. Legal action was also being contemplated against the party.

Thus, due to failure on the part of the management to cancel the contract immediately after the arrears crossed the level of security deposit of Rs.38 lakh resulted in non recovery of Rs.1.08 crore (arrears: Rs.1.46 crore less security deposit: Rs.38 lakh) besides the loss on account of interest of Rs.84 lakh.

#### **4.16 Unfruitful expenditure**

**The Company incurred unfruitful expenditure of Rs.29.64 lakh in formation and subsequent winding up of subsidiary Companies. Amount of Rs.25.37 lakh paid to the consultant was also not entirely beneficial.**

The Company undertakes various infrastructure development projects in the State. The State Government had handed over many infrastructure projects to the Company on BOT basis for execution and committed capital contributions for all these projects.

The Company raised funds from the market and public sector banks to finance these projects. Based on a Private Consultant's (CRISIL) Study which recommended formation of Special Purpose Vehicles (SPVs\*) for individual projects, the Company with the approval (February 2001/August 2003) of the State Government formed (December 2002 to February 2004) 12 subsidiary

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\*Special Purpose Vehicles-CRISIL recommended restructuring by forming various Special Purpose Vehicles to take up individual projects which were hitherto executed by the Company.

Companies<sup>@</sup> for taking up individual projects at different geographical locations in the State. The Company paid (April 2002 and January 2003) Rs.25.37 lakh to the Consultant for rendering advisory services for financial restructuring and business plan for the Company. The paid up capital of these subsidiaries was Rs.60 lakh *i.e.* Rupees five lakh for each subsidiary and the preliminary expenditure incurred for formation of these subsidiary Companies was Rs.24.31 lakh. The subsidiary Companies also incurred revenue expenditure of Rs.5.03 lakh towards filing fee, audit fee *etc.* Other administrative requirements such as board meetings, annual general meeting and maintenance of accounts were taken care of by the Company.

It was noticed that these subsidiary Companies were not functioning independently and activities proposed to be taken up by them were being carried out by the Company itself. The banks were reluctant to invest funds in subsidiaries on stand alone basis.

Subsequently, the Company wound up (August 2005) six<sup>§</sup> of these subsidiaries by incurring expenditure of Rs.30,000 on winding up (Rs.5,000 per Company) and no decision was taken for winding up of the remaining six subsidiary Companies.

The Management justified (March 2007) the formation of the subsidiary Companies as a commercial/business decision backed by the Consultant's study. It admitted that as banks were reluctant to invest funds in subsidiaries on stand alone basis, the Company closed down six subsidiaries under simplified exit scheme of the Ministry of Company Affairs, in 2005.

The reply is not tenable as the Company took the decision (December 2002 to February 2004) on formation of subsidiaries based on the Consultant's study ignoring the market realities. Thus, the decision to form 12 subsidiaries was not a prudent one, resulting in avoidable expenditure of Rs.29.64 lakh on formation/winding up of these Companies.

Further, the expenditure of Rs.25.37 lakh incurred on the engagement of consultant for formation of these Companies could not be said to be fruitful/beneficial.

The matter was reported to the Government/Management (August 2007); their reply is awaited (November 2007).

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<sup>@</sup>Nanded Infrastructure Development Company Limited, Amaravati City Road Development Company Limited, Kolhapur City Road Development Company Limited, Baramati Infrastructure Development Company Limited, Mumbai Inland Passenger Water Transport Company Limited, Solapur City Integrated Road Development Limited, Aurangabad City Integrated Road Development Limited, Pune City Integrated Road Development Limited, Nagpur City Integrated Road Development Limited, Nandurbar City Integrated Road Development Limited, Maharashtra State Highway Construction Company Limited and Satara Kagal Highway Construction Company Limited.

<sup>§</sup>Pune City Integrated Road Development Limited, Aurangabad City Integrated Road Development Limited, Nagpur City Integrated Road Development Limited, Nandurbar City Integrated Road Development Limited, Maharashtra State Highway Construction Company Limited and Nanded Infrastructure Development Company Limited.

#### 4.17 *Blocking of funds*

**Idling of expenditure of Rs.31.42 lakh on purchase of vehicle counting machine which is kept in unused condition.**

In order to assess the exact number and type of vehicles passing through the road and to have accurate estimation of revenue realisable by way of toll collection at the toll collection centre, the Company purchased (February 2002) a vehicle counting machine (VCM) from Electronics Corporation of India Limited at a cost of Rs.24.35 lakh. The VCM was installed (September 2002) at Lahuki Nalla toll station on Aurangabad-Jalna road at a cost of Rs.7.07 lakh, with a guarantee period up to 7 September 2003.

The sophisticated internal system of the VCM had some minor problems (November 2002) at the time of its commissioning which were rectified within the warranty period. The VCM, was handed (11 February 2003) over to the toll collecting agency (Souvenir Developer) at Lahuki and the agency was looking after the VCM up to 11 September 2005. During this period the Company did not ascertain the status of operational performance of the VCM and neither did the contractor submit any reports regarding its working. Since September 2005 the VCM was lying with the Company in unused condition (June 2007), resulting in blocking of funds amounting to Rs.31.42 lakh. The Company also could not assess the exact number and type of vehicles passing through the road so as to have an independent check of the revenue realised at the toll collection centre. As such, the Company had to rely on the toll data provided by the contractor defeating the purpose of installing the VCM.

The Management admitted (April 2007) that the VCM was lying idle since September 2005. It further stated that in order to assess the number of vehicles passing through the roads the Company had been conducting surveys by appointing consultants.

Thus, the Company's lackadaisical attitude in non-utilisation of a sophisticated VCM ever since its installation and failure to place proper systems/manpower for its utilisation resulted in idling of machine costing Rs.31.42 lakh and non achievement of the stated objective of independent check on number of vehicles at the toll centre.

The matter was reported to the Government/Management (August 2007); their reply is awaited (November 2007).

**Maharashtra Tourism Development Corporation Limited**

**4.18 Loss of revenue due to non development of tourism**

**Non fulfilment of obligations by the Company under the lease agreement of land resulted in loss of revenue of Rs.5.05 crore and non-achievement of the objectives of tourism development.**

In order to develop tourism on the Konkan coast, which has high tourist potential, the Company decided to set up a luxurious beach resort and for the purpose, leased out (October 1995) 66.5 hectares of land at Mithbav in District Sindhudurg to East India Hotels Limited, New Delhi, for a period 30 years. The lessee paid (October 1995) Rs.1.65 crore as lease premium and possession was handed over (10 November 1995). As there was some encroachment on the land, the Company accepted the responsibility to clear the land and arrange for joint survey/measurement of the land.

As per agreement, the lessee was liable to pay compensation to the Company at one *per cent* of its turnover\* from fourth year, two *per cent* from seventh year and three *per cent* from tenth year or minimum guarantee of Rs.12 lakh from fourth year, Rs.47 lakh from seventh year, Rs.95 lakh from tenth year and Rs. one core from twenty first year whichever was higher. In case of the default, the Company was entitled to terminate the lease deed and take back the possession of the property.

It was observed that the lessee-East India Hotels Limited failed to develop the site and complete the project. The lessee also defaulted in payment of minimum guaranteed amount since beginning (November 1998), on the grounds that encroachment and joint survey was not cleared by the Company. They demanded (May 2004) refund of lease premium with interest. Though, the Company issued lease termination notice (March 2004 and October 2006) it did not terminate the lease agreement nor take back the possession of the land (March 2007). Thus, due to non fulfillment of obligations by the lessee under the lease agreement, the Company could not recover the minimum guaranteed amount of Rs.3.67 crore accumulated up to November 2006 (excluding interest of Rs.1.38 crore) from the lessee and huge area of precious land remained blocked with the lessee for almost 11 years, making it unavailable for tourism development.

The Management stated (September 2007) that encroachments are in the process of removal and eviction proceedings against the lessee have been filed. The fact remains that the Company delayed taking back the possession of the land even though it was known that the lessee was not interested in developing the project, resulting in loss of revenue and non achievement of the stated objective of development of tourism on the Konkan coast.

\* Turnover means all revenue and income derived directly or indirectly from the operations of the hotel and all of the facilities and amenities therein including, but without limiting, the generality of the foregoing, all rent and/or income received from tenants, licensees, lessees, concessionaries and other persons occupying space in the hotel.

The matter was reported to the Government (June 2007); their reply is awaited (November 2007).

#### 4.19 *Undue benefit to lessee*

**The Company allowed lessee to enjoy all the benefits of the property without recovering lease rent/minimum guaranteed amount payable as per Lease Agreement to the tune of Rs.96.24 lakh.**

In accordance with the policy of the State Government regarding use of Government land for developing tourism in the State through private entities, the Company leased out (April 1994) 14,650 square metres of land with buildings standing thereon viz. "Hotel Five Hill" at Taluka Mahabaleshwar District Satara to Indigo Hotels Private Limited, Pune. The lease was for a period of 30 years at a total lease premium of Rs.40 lakh.

As per agreement, the lessee was liable to pay lease rent of Rs.18 lakh per annum from fourth year or four *per cent* of the gross annual turnover whichever was higher besides minimum guaranteed amount at one *per cent* of turnover from sixth years, at one and half *per cent* from 11 years and two *per cent* from 16 years.

Audit scrutiny revealed the following:

- As per agreement in the event of default, the Company had the right and power after reasonable notice to resume possession of the said land and terminate the Lease Agreement. The lessee defaulted in payment of rent dues since beginning, however, the Company failed to take action as per the agreement which facilitated the accumulation of dues to Rs.96.24 lakh ((Principal: Rs.44.26 lakh *plus* Interest: Rs.51.98 lakh) as on 30 April 2007. The Company did not take back the possession of the property and issued notices through an Advocate only in October 2006.
- Though the yearly minimum guaranteed amount at one *per cent* of gross turnover became payable from sixth year (May 2000), the Company did not check the turnover of the lessee by calling for his audited accounts and consequently no demand was made (January 2007).
- As per the Lease Agreement, bank guarantee equivalent to lease rent of Rs.18 lakh for one year was required to be furnished by lessee to safeguard the financial interests of the Company. Contrary to this provision, the Company accepted (March 2001) a bank guarantee for an insufficient amount of Rs.4.50 lakh which was encashed and adjusted (June 2006) against the outstanding rent.

Thus, due to inaction on the part of the Management to close the lease and take back the possession of the land, the lessee has been enjoying benefits of the property without paying lease rent and minimum guaranteed amount as per Lease Agreement, the arrears of which stood at Rs.96.24 lakh (Principal: Rs.44.26 lakh *plus* Interest: Rs.51.98 lakh).

The matter was reported to the Government/Management (May 2007); their reply is awaited (November 2007).

**Maharashtra Small Scale Industries Development Corporation Limited**

**4.20 Extra expenditure on purchase of fire extinguishers**

**The Company incurred extra expenditure of Rs.1.80 crore on purchase of fire extinguishers due to failure to check the reasonability of rates.**

The Education Department decided (July 2004) to implement various safety measures in schools in the State to avoid mishaps due to fire and accordingly, sanctioned (2005-06) financial assistance of Rs.11 crore for purchase of fire extinguishers (FE). It was also decided to procure FEs through the Company. Accordingly, the Company procured 18,053 FEs conforming to Indian Standards (IS) specification against two tenders as detailed below:

Month of tendering	Period of supply order placed	Lowest rate received (Rupees per FEs)	Number of suppliers	Quantity actually procured (numbers)	Details of the Rate
November 2004	15 March to 13 May 2005	4,950	2*	6,279	<ul style="list-style-type: none"> <li>Rates FOR destination basis.</li> <li>There was no provision in tender for refilling of the cylinder which suppliers agreed to do free of cost for three years.</li> </ul>
August 2005	March 2006 to February 2007	4,516	4#	11,774	<ul style="list-style-type: none"> <li>Rates FOR destination basis.</li> <li>Basic cost was Rs.1,800 per FE and profit margin of Rs.381 per FE.</li> <li>Rate was inclusive of refilling charges of Rs.972 per FE for three years (i.e. Rs.1,800 + Rs.1,363 + Rs.972 + Rs.381 per FE = 4,516 per FEs).</li> <li>Contract condition provided retention at the rate of 15 per cent toward refilling in subsequent three years.</li> </ul>
<b>Total</b>				<b>18,053</b>	

(Source: Information collected from tender documents and proposals).

In this connection, Audit observed the following:

- As a result of inadequate publicity i.e. restricted to local news papers of Ratnagiri/Konkan area, only four suppliers of Konkan participated in tenders and the reasonability of the lowest rate of Rs.4,950 per FE received could not be ensured. As can be seen from the table, this rate was higher by Rs.434 per FE as compared to the rate of Rs.4,516 per FE, received against the subsequent tender of August 2005, for the FE of same ISI specification.

\* Siddhi Enterprises, Ratnagiri (2,175 FEs) and Murli Techno Private Limited, Chiplun (4,104 FEs).

# Reliable Fire Engineers, Thane 375 FEs, Geo Fire Remedies Private Limited, Mumbai 4,239 FEs, Ajay Industries, Mumbai 32 FEs and Universal Engineering Corporation, Mumbai 7,128 FEs.

- The reasonability of the rates accepted by the Company was analysed in audit with reference to the rates finalised by the Director General of Supply and Disposal (DGS&D), New Delhi in their Rate Contract (2005-06) for supply of FEs of the same IS specification and it was seen that the DGS&D rate was Rs.1,182 per FE (FOR Navi Mumbai, exclusive of sales tax). Thus, the basic rates of Rs.1,800 per FE accepted by the Company against both the tenders were very high as against the rate of Rs.1,182 per FE received by the DGS&D. It was also noticed that one supplier (Reliable Fire Engineers, Thane) who was a DGS&D rate contractor had supplied the same specification FEs to the Company at the much higher rate of Rs.4,516 per FE. Thus, the Company incurred extra expenditure of Rs.1.80 crore on behalf of the State Government, when compared with basic price of the FEs actually procured against both the tenders (Rs.2,181-Rs.1,182 x 18,053 FEs).
- Against tender (November 2004) as the suppliers had agreed to free refilling for three years, as such the rates accepted were inclusive of refilling. The refilling charges worked out to Rs.61.03 lakh at the rate of Rs.972 per FE received on the subsequent tender. In subsequent tender (August 2005) the Company released advance refilling charges of Rs.43.57 lakh to the suppliers at the rate of Rs.370 per FEs without ensuring the actual refilling of FEs. It was also seen that there was no mechanism in place in the Company to ensure that refilling of the FEs was actually done by the supplier.

Thus, non invitation of bids by wide publicity and failure to compare the reasonability of the rates received, resulted in extra expenditure of Rs.1.80 crore to the State exchequer and undue benefit passed on to the suppliers by way of advance payments of Rs.1.05 crore released for refilling work, without ensuring actual refilling of the FEs.

The matter was reported to the Government/Management (July 2007); their reply is awaited (November 2007).

### **Shivshahi Punarvasan Prkalp Limited**

#### **4.21 Undue benefit to a private party**

**Due to unusual haste in sale of Transferable Development Rights the Company not only extended benefit to a private party but also lost potential revenue of Rs.4.85 crore.**

In implementation of Slum Rehabilitation Schemes, admissible Floor Space Index (FSI)<sup>§</sup> sometimes cannot be fully utilised in construction of tenements

<sup>§</sup>Floor Space Index fixed by the Urban Development Department of the Government of Maharashtra. It is the *ratio* of the combined gross floor area of all floors (excluding areas specifically exempted) to the total area of the plot.

for slum dwellers due to provision of common infrastructural facilities as per norms. The unused FSI to be used in other areas as specified by Slum Rehabilitation Authority (SRA) is termed as Transferable Development Right (TDR) which is sold by the Company in open market by inviting tenders. The Managing Director (MD) was, however, authorised (February 2000) to sell the TDR in small quantities up to 50,000 square feet at rates which could give best possible returns.

It was noticed that Mehta Trading Company, Mumbai (Party) gave a *suo moto* application on 30 October 2005 to the Hon. Chief Minister and *ex-officio* Chairman of the Company for purchase of TDR at Turbhe. When this *suo moto* application was received, no TDR was available for sale. The SRA recommended (14 November 2005) to Municipal Corporation of Greater Mumbai (MCGM) the TDR of 4,370 square metre (equivalent to 47,039 square feet) generated from its Slum Rehabilitation Scheme in Turbhe-Mandale and the matter regarding sale of this TDR was forwarded to the Company.

The Company enquired the prevailing rates for sale of this TDR from the MCGM and it confirmed (January 2006) the rate of Rs.1,300 per square feet, derived from utilisation of TDR certificates. MCGM, however, separately clarified that the rates derived from utilisation of TDR certificates given by Developers did not necessarily indicate the prevailing rate in the market. It was observed in audit that the Company sold (February 2006) the TDR to the applicant (Mehta Trading Company) at the rate of Rs.1,310 per square feet *i.e.* only Rs.10 more than the rate intimated by the MCGM without calling for competitive bids. It was further observed that when the Company subsequently called (June 2006) tenders for sale of TDR of 11,770 square metres recommended (May 2006) by SRA from the same scheme, it received the rate of Rs.2,340 per square feet which was substantially higher than the rate of Rs.1,310 per square feet at which the sale was made earlier on the *suo moto* application.

Thus, due to unusual haste in disposing of the relatively small quantity of TDR without competitive bids, the Company extended undue benefit to a private party and also deprived itself of potential revenue of Rs.4.85 crore (Rs.2,340 – Rs.1,310 per square feet x 47,039 square feet).

The Management in its reply stated (September 2007) that TDR market was volatile and rates are prone to fluctuation with every transaction during the course of short period. Considering that the quantity of TDR was less than 50,000 square feet, the MD of the Company considered the offer under his delegated powers by fixing reasonably high prices in the then prevailing volatile market.

The reply is not tenable as in the normal course the approved method for disposal of TDR is through tenders only. In the instant case, however, unusual haste was shown in disposal of TDR and the MD did not exercise powers delegated to him in the best financial interests of the Company.



The matter was reported to the Government (July 2007); their reply is awaited (November 2007).

#### **4.22 Avoidable excess expenditure on fees to Project Management Consultant**

**The Company made excess payment of Rs.3.13 crore to a PMC in violation of the terms of Agreement.**

The Company awarded (May 1999) the work of construction of 33 buildings at Turbhe-Mandale, Mankhurd to a contractor\*, for Rs.77.35 crore to be completed within 15 months *i.e.* by August 2000. The Company also appointed (January 1999) Mahimtura Consultant Private Limited, Mumbai as Project Management Consultant (PMC) for the project at a fee of Rs.1.73 crore. The scope of PMC's work, *inter alia*, included functioning as 'Engineer' and performing all activities including pre tender and post tender award activities. The construction project got delayed due to revision in the scheme, problems in approach to the site, shortage of funds *etc.* and the contract had to be extended. The Company extended (November 2001) the contract by another 15 months for the contractor and by 18 months for PMC (December 2000 onwards).

As per agreement with PMC, additional fee during extended period was payable based on the number of personnel deployed by the PMC and man month rate. The Chief Engineer accordingly worked out (March 2004) the fee payable at Rs.2.20 lakh per month for 24 personnel. The PMC, however, argued that the agreement provided for regulation of fee during the extension for a period of three months only. It was observed by Audit that the PMC's argument was incorrect as the agreement provided for fees based on actual personnel deployed during the extended period. Besides, in the past also the Company had settled such cases as per the provisions of similar agreement. The PMC was given (July 2004) a hearing wherein they contented that their claim be regulated on the basis of formulae adopted by other State PSUs such as Maharashtra State Road Development Corporation Limited/City and Industrial Development Corporation of Maharashtra Limited (CIDCO)/Mumbai Metropolitan Regional Development Authority. The MD, accepted their contention and finally decided (September 2004) to pay Rs.6.94 lakh per month on the basis of formulae adopted by the CIDCO *i.e.* another State Government Company. The adoption of CIDCO's formulae in the instant case was irrelevant and payment should have been regulated at the rate of Rs.2.20 lakh per month, based on the subsisting agreement. The Company paid Rs.4.58 crore till May 2006 based on above mentioned formulae, and thus incurred extra avoidable expenditure of Rs.3.13\* crore by allowing/accepting a claim beyond the scope of the terms of the agreement.

\* V. M. Jog Engineering Private Limited.

\* (Rs.6.94 lakh less Rs.2.20 lakh x 66 months) Rs.6.94 lakh as per the CIDCO formulae less Rs.2.20 lakh as per the contract for the period December 2000 to May 2006.

The Management in its reply (May 2007), which was endorsed by the Government (May 2007), stated that the fees payable are normally applicable where major portion of work is completed. In this Project, the progress of the work was lacking behind and the exception in the case was made due to poor progress in the work.

The reply is not tenable. The adoption of formula other than mentioned in contract for calculation of fees payable to PMC on the ground of pending major portion of work is incorrect. The payment should have been regulated as per the provisions of the contract.

#### **4.23 Undue benefit to Contractor**

**The Company paid Rs.43.58 lakh and would incur further expenditure of Rs.74.42 lakh on account of irregular increase of 10 per cent in basic rate in addition to price escalation allowed to a contractor.**

The Company awarded (February-March 2003) the work of construction of four buildings<sup>#</sup> for rehabilitation of project affected persons and three buildings<sup>§</sup> for sale at Rahul Nagar plot No.73 of Sewree-Wadala, Mumbai, under Slum Rehabilitation Scheme to Ashoka Builders, for Rs.15.72 crore. The rates quoted by the contractor were Rs.6,250 per square metre for construction of the rehabilitation buildings and Rs.7,300 per square metre for sale buildings based on District Schedule of Rate (DSR) 2001-02. The construction work was to be completed within 24 months *i.e.* by February 2005. As per terms, escalation was payable on cement and steel only.

Audit scrutiny revealed that after awarding of contract, the scope of work was reduced and only six buildings were decided to be constructed. The contractor completed only one building (No.3) fully and 60 per cent of work of another building (No.6) within stipulated period. The delay in execution was mainly due to delay in handing over of site, delay in shifting the transit tenements by the Maharashtra Housing and Area Development Authority and non co-operation of the slum dwellers *etc.* The contractor was not ready to continue the balance work at the quoted rates and demanded (January 2005) a price rise of 35 per cent. Since the delay in completion of work was not attributable to him, the Management decided (November 2005) to pay escalation on balance work on all items based on index prevailing at the time of submission of his offer (November 2002) as well as a lump sum increase of 10 per cent in basic rate of Rs.6,250/7,300 per square metre quoted for four buildings (No.1, 2, 5 and 7) with revised date of completion as 31 January 2007. It was observed (September 2006) that as per the accepted principle escalation is allowed during the period of extension if the delay in work was not attributable to the contractor and no other price increase is payable. Thus, by accepting lump sum increase by 10 per cent in basic rate of four buildings (No. 1, 2, 5 and 7) the Company would incur additional liability of Rs.1.18 crore on account of 10 per cent increase in the basic rate out of

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<sup>#</sup> Buildings No.3, 5, 6 and 8.

<sup>§</sup> Buildings No.1, 2 and 7.

which Rs.43.58 lakh has already been paid on the value of work completed up to July 2006.

The Management/Government stated (July/August 2007) that the rate accepted by the Company with 10 *per cent* increase were comparable with the DSR 2005-06 and that the rates accepted were also far below than the rates adopted by MHADA and MMRDA other State agencies who execute similar works. The reply is not tenable, as the Company had already compensated the contractor for the delay in completion attributable to the Company by agreeing to pay for escalation on all items, for the balance work. The justification given for payment of additional lumpsum 10 *per cent* rise by adoption of subsequent DSRs (2005-06) and rates of other State agencies, was not relevant to the issue, after having agreed for the escalation based on indices prevailing at the time of original offers of the contractors.

#### **4.24 Irregular expenditure on vehicles**

**The Company provided vehicles to Vice Chairman and his Private Secretary in violation of Government's directives and incurred an expenditure of Rs.26.31 lakh towards petrol, repairs and driver's salary etc.**

According to the orders issued (August 2003) by the State Finance Department, the Ministers appointed as Chairman/Vice Chairman of Public Sector Undertakings (PSUs) were not entitled to any benefits in addition to those received from the Government such as vehicles, contractual staff, residence, mobile, traveling allowance *etc.*

It was observed that the Company provided vehicle to the State Minister (Housing) appointed as Vice Chairman of the Company since January 2000 and also incurred expenditure of Rs.12.02 lakh (August 2006) on petrol, repairs and driver's salary. The Company also provided a separate vehicle since June 2000 to the Private Secretary (PS) of the Minister who was not employee of the Company and incurred expenditure of Rs.14.29 lakh on this facility (August 2006). Thus, the total expenditure of Rs.26.31 lakh incurred by the Company was irregular as it was in violation of the State Government directives.

The Management stated (May 2007) that the vehicles are made available for Vice Chairman and PS for visiting various sites amongst other purposes for furtherance of interest of the Company.

The reply is not tenable, as the expenditure was in violation of the Finance Department's directives and further the PS to Minister was not entitled for a vehicle from the Company under any regulation/directives.

The matter was reported to the Government (May 2007); their reply is awaited (November 2007).

**Statutory corporations**

**Maharashtra State Road Transport Corporation**

**4.25 Excess payment on account of fuel charges**

**The Corporation paid excess fuel charges of Rs.2.07 crore due to non verification of bills raised by Indian Oil Corporation Limited.**

The Corporation has been purchasing High Speed Diesel (HSD) from Indian Oil Corporation Limited (IOC), for its fleet of buses. The field offices of the Corporation have been releasing payment from time to time based on computerised bills issued by IOC. As per practice, octroi charges were recovered by IOC through supply bills. The IOC executed (September 2004) an agreement with the Corporation governing terms and conditions for supply of HSD for a three years period from April 2004. IOC also agreed to allow discount of Rs.700 per kilo litre (KL) from April 2004.

The Corporation issued (October 2004) instructions prescribing various elements of cost to be considered for payment of octroi and sales tax and directed its field offices to release the payment to IOC based on pricing formula prescribed therein. As per pricing formula, octroi was payable on basic cost, delivery charges, en-route taxes, less discount and sales tax on net delivered price.

It was noticed that the pricing formula was not followed correctly by the field offices and payment was released to IOC based on their bills in which octroi and sales tax were not correctly charged. In some cases the discount of Rs.700 per KL was not given effect before charging octroi and in other cases the octroi charged was much more than the prescribed rates. On test check of records of Kolhapur division and information furnished by other six divisions,\* it was observed that there was excess payment of Rs.2.07 crore on this account to IOC during the period October 2004-March 2006. The Corporation belatedly issued instructions (December 2006) for payment of octroi at its own level, and not to the IOC, but the excess payment continued till the time of such instructions (December 2006).

Thus, due to non observance of instructions and non checking of the IOC Bills by the Divisions concerned before payment, the Corporation paid Rs.2.07 crore in excess to IOC, the recovery of which now appears remote.

The Management accepted (July 2007) the facts, and amended the bill structure and issued instructions to units to pay octroi accordingly. It was however, noticed that the Corporation has neither claimed the excess amount from IOC nor fixed the responsibility on officials concern responsible for excess payment. The Government endorsed (October 2007) the views of the Management.

\* Amravati, Aurangabad, Nagpur, Nanded, Pune and Solapur.

**Maharashtra State Financial Corporation**

**4.26 Irregular payment of compensation to employees**

**The Corporation made irregular payment of Voluntary Retirement Scheme compensation of Rs.77.05 lakh to the employees who were reemployed in another State Public Sector Undertaking.**

The Corporation introduced (June 2005) Voluntary Retirement Scheme (VRS) to reduce the excess manpower and curtail its establishment expenditure. The Corporation approved the compensation at the rate of 1.5 months salary for each completed years of service or salary for the period of remaining service whichever was less besides payment of normal retirement benefits. The basic purpose of this compensation was to compensate employees for loss of their service.

Before taking VRS, 18 employees of the Corporation had applied for employment in Sant Rohidas Leather Industries and Charmakar Development Corporation of Maharashtra Limited, Mumbai (SRL) a State Public Sector Undertaking (PSU) through proper channel.

Audit scrutiny revealed the following:

- While forwarding their applications for employment, the Corporation did not impose the condition for non-payment of compensation, if they apply for VRS and get employment in other PSUs.
- The Corporation paid compensation of Rs.77.05 lakh during September 2005-November 2006 to 17 employees who were granted VRS and subsequently got reemployment in SRL resulting in dual benefit thereby defeating the purpose of payment of compensation.
- The State Government's Social Justice, Cultural Affairs and Special Assistance Department clarified (December 2006) with the concurrence of the Finance Department, that the compensation was not payable to those employees who accepted reemployment in other PSUs. This decision/clarification was, however, not circulated to all the State PSUs for uniformity in action.

The Management stated (June 2007) that no condition pertaining to reemployment of the employees in other Corporations/PSUs was included by the State Government while approving the Corporation's VRS proposal. Therefore, no alleged irregular payment has been made by the Corporation to the said employees. The reply is not tenable as the Corporation could have ascertained as to whether the compensation was payable in case of reemployment of employees in other State PSUs. As the State Government had thereafter clarified (December 2006) the issue, recovery of compensation,

should have been made from those employees who were still in service of SRL a State PSUs.

The Government in its reply stated (August 2007) that necessary instructions have been issued to the Corporation and to SRL in this regard.

### **Maharashtra Industrial Development Corporation**

#### **4.27 Irregular expenditure on renovation**

**The Corporation incurred an expenditure of Rs.1.52 crore on renovation of Ministers'/Secretary's offices/residence in violation of Government directives.**

According to the orders issued (December 2000/August 2003) by the Finance Department, State Government, the Ministers appointed as Chairman/Vice Chairman of Public Sector Undertakings were not entitled to any benefits in addition to those received from the Government such as vehicles, contractual staff, renovation of office/residence, mobile, travelling allowance *etc.* Further, the Chairman/Vice Chairman were not eligible for residence from the funds of the Corporation.

It was observed that the Corporation incurred an expenditure of Rs.1.52 crore during 2002-03 to 2006-07 on renovation of office/residence of Ministers who were appointed as Chairman/Vice Chairman of the Corporation and other officials of the State Government as detailed below:

*(Rupees in lakh)*

Sl. No.	Particulars	Amount
1.	Office of the Minister (Industries) at Mantralaya	49.77
2.	Residence of the Minister of State (Industries)	68.70
3.	Office of the Development Commissioner and Principal Secretary (Industries) and District Library	33.33
	<b>Total</b>	<b>151.80</b>

It was further noticed that the Corporation not only failed to obtain permission of the State Government required as per its working Rules but also fudged up their accounts and booked the expenditure under "Maintenance and Repairs to Industrial Area".

Thus, the expenditure of Rs.1.52 crore incurred by the Corporation was in violation of the Government directives and not in their best financial interests.

The Management stated (July 2007) that due to shortage of funds with PWD, these offices and residences were not properly maintained by PWD. It was further added that the expenditure on renovation of Chairman and Vice-Chairman's offices at Mantralaya and residences was incurred to

maintain good ambience of these offices which would be one of the category in promotion of business and attracting industrialist and foreign investors in the State. The reply is not tenable, as the expenditure incurred was not within purview of the Government directives. Further, the justification put forth by the Corporation is not acceptable as the maintenance of offices and residences of Ministers is the responsibility of PWD of the State.

The Government in its reply stated (August 2007) that the matter to book the expenditure under Account head 'Amount due from Government' is referred (14 August 2007) to Finance department for further necessary approval.

#### **4.28 Undue benefits to an educational institution**

**The Corporation suffered loss of Rs.1.19 crore in allotment of educational plots and extended undue benefits to the trust.**

The Corporation amended (April 2002) its policy of allotment of plots to the educational institutions. As per the amended policy for allotment of plots, the eligibility criteria for institutions was that they should have vast experience in educational field and sound financial position to complete the works as per schedule. The allotment of educational plots was to be made from the "amenity zone" of the industrial area, for construction of buildings, hostel, laboratory *etc.* and playground for the educational institution. It was decided that plots would be allotted at the rate of 50 *per cent* of the rate of industrial plots and for playground at the rate of 10 *per cent* of the prevailing rates of industrial plots. The policy also specified the area to be considered for allotment of such plots. Accordingly the total area specified for "higher education" was 0.40 lakh square metres - four hectares (for college building 0.18 lakh square metres; for residential and hostel facility-0.04 lakh square metres and for playground-0.18 lakh square metres). If the educational institution demanded area in excess of the specified area, the allotment for additional area was required to be made at the prevailing rate for industrial plots.

It was noticed that the Corporation had not given wide publicity to the amended policy by publishing it in news papers or by displaying it on their website.

The Corporation received a *suo moto* application (September 2001) from Vilasrao Deshmukh Foundation, Mumbai (Trust) for allotment of 3.56 lakh square metres of plot for establishing higher educational campus (MIDC area) at Latur. The institution also demanded 20 to 25 acres of land (November 2005) for a playground for the campus.

The Corporation allotted (March and April 2006) plots measuring 1.20 lakh square metres for college and 0.80 lakh square metres for playground respectively to the trust in the Latur Industrial Area and received total lease premium of Rs.41.50 lakh (1.20 lakh square metres at the rate of Rs.31.25 per square metre and 0.80 lakh square metres at the rate of Rs. five per square metre).

It was seen from the Agenda Note submitted (12 August 2005) to the BODs that there was nothing on record to indicate that the institution had fulfilled the eligibility criteria as laid down by the Corporation in its policy. Further, the area allotted to the trust was in excess of the area specified in the policy and additional area was not allotted at the prevailing rates for industrial plots as specified in the policy. For the educational building the area specified was 0.22 lakh square metres, whereas the area allotted was 1.20 lakh square metres at Rs.31.25 per square metre instead specified rate of Rs.62.50 per square metre. This resulted in revenue loss of Rs.30.62 lakh. Similarly, for the playground plot, as against the eligible area of 0.18 lakh square metres, the area allotted was 0.80 lakh square metres at Rs. five per square metre as against the specified rate of Rs.62.50 per square metre (industrial rate). This resulted in revenue loss of Rs.35.65 lakh.

It was further noticed that in the Latur Industrial Area only 35,300 square metres area was available in the amenity zone for allotment to educational Institutions. Though sufficient land was not available, the Corporation carved out the 84,700 square metres additional plots from the commercial plots of the Latur Industrial Area and the Corporation suffered additional loss of Rs.52.94 lakh (84,700 square metres x Rs.125♦ – Rs.62.50 per square metre) and undue benefit was extended to the trust to that extent.

Thus, the Corporation suffered a total revenue loss of Rs.1.19 crore in allotment of these plots and undue benefits were passed on to the trust.

The Management stated (August 2007) that the allotment of plot to the educational institution was made on applications as per the prevailing policy of the Corporation, in a transparent manner. As the possession of land is a pre-requisite for recognition for any such institutes, the allotment was done properly and no earlier applications were kept pending to accommodate this application.

The Government in its reply (August 2007) accepted the factual position and stated that the entire process and decision taken by the Board of Directors was within its competence.

The reply is not tenable. There was nothing on record regarding the fulfillment of eligibility criteria by the party. There was no wide publicity of the policy to attract other eligible institutions and hence the allotment lacked transparency. Further the allotment of plots were not done by the Corporation as per the quantum of area and rates specified in the policy (April 2002).

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♦ Per square metre rate of commercial plot.



<b>General</b>
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<b>4.29 Follow up action on Audit Reports</b>
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***Explanatory Notes outstanding***

**4.29.1** Audit Reports of the Comptroller and Auditor General of India represent culmination of the process of scrutiny, starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, State Government issues instructions every year to all administrative departments to submit explanatory notes to paragraphs and reviews included in the Audit Reports within a period of three months of their presentation to the Legislature, in the prescribed format, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 2003-04 to 2005-06 were presented to the State Legislature, nine departments which were commented upon did not submit replies to 37 out of 71 paragraphs/reviews as on 30 September 2007, as indicated in the following table:

Year of the Audit Report	Date of presentation	Total paragraphs/reviews in the Audit Report	Number of paragraphs/reviews for which replies were not received
2003-04	21 July 2005	29	6
2004-05	18 April 2006	22	11
2005-06	17 April 2007	20	20
<b>Total</b>		<b>71</b>	<b>37</b>

Department wise analysis is given in **Annexure-13**. Public Sector Undertakings under Industries, Energy and Labour and Public Works Departments were largely responsible for non-submission of explanatory notes. The Government did not respond even to the reviews/paragraphs highlighting important issues like system failure, mismanagement and inadequacy of recovery system.

<b>Compliance to Reports of Committee on Public Undertakings</b>
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**4.29.2** Action Taken Notes (ATNs) to 116 recommendations pertaining to 18 Reports of the COPU presented to the State Legislature between April 1995

and September 2007 had not been received as on September 2007 as indicated below:

Year of COPU Report	Total no. of Reports involved	No. of recommendations where replies were not received
1995-96	1	7
1997-98	2	21
1998-99	3	11
1999-2000	1	11
2000-01	2	8
2001-02	1	3
2005-06	2	8
2006-07	5	39
2007-08	1	8
<b>Total</b>	<b>18</b>	<b>116</b>

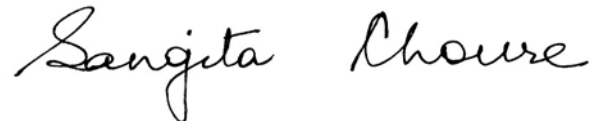
The replies to the recommendations were required to be furnished within six months from the date of presentation of the Reports.

***Response to inspection reports, draft paragraphs and reviews***

**4.29.3** Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2007 pertaining to 54 PSUs disclosed that 1,831 paragraphs relating to 456 Inspection Reports remained outstanding at the end of September 2007. The department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2007 is given in **Annexure-14**.

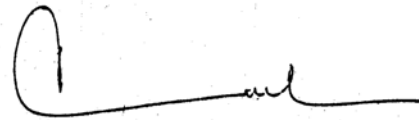
Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of 32 draft paragraphs and six draft performance reviews forwarded to various departments between April and August 2007, 21 draft paragraphs and three draft performance reviews as detailed in **Annexure-15**, have not been replied to so far (November 2007).

It is recommended that the Government should ensure that (a) procedure exists for action against officials who fail to send replies to inspection reports/draft paragraphs/reviews and ATNs to the recommendations of COPU as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule; and (c) the system of responding to audit observations is revamped.



**MUMBAI**  
**The 2 Jan 2008**      **(SANGITA CHOURE)**  
**Accountant General (Commercial Audit), Maharashtra**

*Countersigned*



**NEW DELHI**  
**The 3 Jan 2008**      **(VIJAYENDRA N. KAUL)**  
**Comptroller and Auditor General of India**