

## **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**

##### **Home Department**

#### **4.1.1 Misappropriation of Government money**

**Improper handling of cash and improper maintenance of cash book resulted in misappropriation of Government money of Rs 5.08 lakh.**

As per provisions contained in the Maharashtra Treasury Rules (MTR), 1968, all monetary transactions should be entered in the cash book as soon as they occur and got attested by the head of office in token of check. The head of office should verify the totalling of the cash book or have it done by some responsible officer other than the cashier. He should also verify the cash balance at the end of the month and record a signed and dated certificate mentioning the cash balance, both in figures and words. Surprise verification of the cash balance is also to be conducted periodically.

A detailed scrutiny (December 2007) of the cash book and related records of the Control Branch of the Commissioner of Police, Thane maintained by an Assistant Police Sub Inspector (ASI), revealed that the codal provisions mentioned above were not strictly adhered to by the Department resulting in suspected misappropriation of Government money of Rs 25.75 lakh as detailed below:

- Rs 1.30 lakh received on 22 June 2007, taken as receipt in the cash book, was not included in the closing cash balance as on 23 June 2007.
- Acknowledgements for Rs 7.26 lakh shown as disbursed to the police personnel between November 2006 and August 2007 were not produced to Audit.
- Cash book was not maintained from 17 September to 9 October 2007 by the cashier who subsequently absconded from duty from 1 October 2007.

- Closing balance of Rs 12.92 lakh as on 16 September 2007 was not carried forward to a new cash book maintained from 10 October 2007 by the new cashier.
- Rs 4.27 lakh received on 17, 18 and 27 September 2007 was not entered in the cash book as a receipt.

After this was pointed out by Audit in December 2007, the Commissioner of Police, Thane stated (June 2008) that since the then cashier was absconding from 1 October 2007, a new cashier was appointed and a cash book was opened from 10 October 2007 with a 'nil' opening cash balance. The absconding cashier joined duty on 18 January 2008 and produced acknowledgements for Rs 7.26 lakh. He also completed the cash book and furnished the disbursement details for Rs 13.41 lakh out of 17.19 lakh (Rs 12.92 lakh + Rs 4.27 lakh) leaving a balance amount of Rs 3.78 lakh, which was considered as misappropriated by him. Further, Rs 1.30 lakh not taken in the closing balance as on 23 June 2007 was also considered as misappropriated by him. Accordingly, an FIR for misappropriation of Rs 5.08 lakh had been lodged (April 2008) against the ASI.

The matter was referred to the Principal Secretary to the Government in May 2008. Reply had not been received (August 2008).

## Public Health Department

### 4.1.2 Pilferage of stores

The Department's negligence in following due procedure in account of stores resulted in pilferage of Rs 24.56 lakh.

The State Financial Rules provide that all material received should be examined, counted, measured or weighed, as the case may be, when delivery is accepted. Further, they should be received by a responsible officer who should see that the quantities are correct and certify that they are of good quality and that he has actually received the material and recorded it in the appropriate stock register.

Test-check of records of the Medical Superintendent, Laxmibai Deshmukh General Hospital, Murtizapur (LDGH) revealed (February 2008) that payment of Rs 24.56 lakh was made for purchase of articles like multi seater chairs, coolers and other consumable items for hospital use and the certificate of entry in the stock book was also recorded on the vouchers. Though the material was stated to have been received for which bills were drawn and payments were made during 2005-06 to 2006-07, no entry thereof was made in the stock books to confirm that the material was actually received.

The Medical Superintendent, LDGH, Murtizapur accepted (February 2008) the facts and confirmed that no entries of receipt of articles were

taken in the stock books by the storekeeper. The drawing and disbursing officer failed to ensure that the materials were actually received and entered in stock book before making the payment.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

## Public Works Department

### 4.1.3 Fraudulent payment

**Payment of Rs 1.35 crore to the contractor against fake invoices for purchase of bitumen resulted in fraudulent payment.**

Work of improvement of Shirur-Anantpal-Shekapur road under Central Road Fund (CRF) was awarded (December 2006) to the contractor by the Executive Engineer, Public Works Division, Nilanga, (EE). As per contractual conditions bulk bitumen of 60-70 grade was to be procured and brought by the contractor at his own risk and cost from any reputed Government refinery and the contractor was to promptly produce sufficient documentary evidence i.e., bill for the purchase, octroi receipt, etc. for the purchase of material brought on the work site if so requested by the department.

Scrutiny (January 2008) of the Running Account Bill (RAB) paid in January 2008 revealed that 193 MT of bitumen was used on this work. Eight Xerox copies of invoices involving 121.23 MT of bitumen purchased from Bharat Petroleum Corporation Limited (BPCL) valued at Rs 27.08 lakh were attached to the RAB. Some of these invoices had the same delivery number but different dates. On cross verification, the BPCL, Mumbai confirmed (February 2008) that none of the invoices were issued/generated by them and the details appearing in the invoices were fake. Since the invoices submitted by contractor with RAB were fake and the stock register maintained by the division mentioned these invoices as record of bitumen used for the road construction, quality of the execution of the roadwork and the payment thereof was doubtful. Thus, submission of fake invoices by the contractor indicates fraud in purchase of bitumen by contractor, which resulted in fraudulent payment of Rs 27.08 lakh. Similarly, 66 invoices of seven works were sent (June 2008) for verification in which BPCL has confirmed (August 2008) that 25 invoices of three<sup>1</sup> works involving bitumen of 359.030 MT valued of Rs 1.08 crore were not issued by them. Thus, payment of Rs 1.08 crore made between March 2007 and March 2008 for these 25 invoices were also fraudulent.

<sup>1</sup> i) Improvement of Madha-Vairaj-Chikhali-Osmanabad-Ter Road (Public Works Division, Osmanabad)  
ii) Improvement of Sawargaon-Bhoyara-Akola-Chikurda Road (Public Works Division, Latur)  
iii) Improvement of Ratnagiri-Solapur-Tuljapur-Nagpur Road (Public Works Division, Latur)

Superintending Engineer, Osmanabad directed (July 2008) the concerned EE to initiate action against the Sub-Divisional Engineer, Accounts Officer and Internal Auditor for their failure in verification of fake invoices submitted with RAB. He also instructed the EE to cross verify all other invoices of bitumen and in case of default lodge First Information Report. under Section 420 of the Indian Penal Code against the contractor.

The matter was referred to the Secretary to the Government in July-August 2008. Reply had not been received (August 2008).

#### **4.1.4 Fraudulent Payment**

**Passing of leave travel concession claims of 29 officials who were on duty indicates that payment made of Rs 1.30 lakh was fraudulent.**

Government introduced (March 1995) leave travel concession (LTC) scheme for the State Government employees from 1993. A Government servant is entitled to avail two home town LTCs or one LTC at pre-declared destination from headquarter to any place within the peripheral area of Maharashtra State and one home town LTC in a block of four years. Travel expenses are reimbursable on the basis of actual ticket fare by shortest route.

Scrutiny (December 2007) of records in central audit revealed that the Executive Engineer, Public Works Division, Pandharkawada (EE) had sanctioned LTC bills between January and May 2007 and paid (August 2007) Rs 2.51 lakh to Class III and Class IV employees. It was, however, seen that in 29 cases the officials were found on duty as per attendance register on the dates on which they had availed LTC. Failure to exercise routine checks by the EE while passing the bills is indicative of fraudulent payment of Rs 1.30 lakh to 29 officials who were on duty on the date of LTC availed.

On being pointed out (April 2008), Government stated (July 2008) that, the Chief Engineer had initiated action for recovery of amount and disciplinary action against the concerned officials.

### **Revenue and Forests Department**

#### **4.1.5 Fraudulent transactions**

**Fraudulent payment of Rs 0.30 lakh was made by forging the thumb impressions.**

Payment of wages made to the labourers employed for carrying out various activities in the forest were to be acknowledged by them either through signature or thumb impression.

Scrutiny (October 2007) of the muster rolls of nine<sup>2</sup> Forest Divisions for the month of March 2007, June 2007 and July 2007 in Central Audit revealed that the thumb impressions of labourers appeared to be of the same person. The payment of Rs 4.13 lakh made to labourers was thus doubtful. The matter was therefore, referred to the Deputy Director, Finger Print Bureau, Crime Investigation Department, Maharashtra State, Nagpur (DD) in May 2008. In respect of two divisions (Buldhana and west Nashik) he confirmed that the thumb impressions in the muster rolls were of the same person although the names were different. Reports in respect of remaining seven divisions were awaited. Thus, forging of thumb impressions in muster rolls resulted in fraudulent payment of Rs 0.30 lakh.

The matter was referred the Secretary to the Government in July 2008. Reply had not been received (August 2008).

## 4.2 Excess payment/wasteful/infructuous expenditure

### Environment Department

#### 4.2.1 Short recovery of consent fees

##### **Incorrect computation of consent fees recoverable from industries resulted in short-recovery of Rs 33.37 lakh.**

Under Sections 25 and 26 of the Water (Prevention and Control of Pollution) Act, 1974 and Section 21 of the Air (Prevention and Control of Pollution) Act, 1981, all new/existing industries that discharge sewage or trade effluents have to obtain consent from the State Pollution Control Board for their establishment and operation. The Government of Maharashtra fixed (January 1997) the rates of consent fees to be recovered from industries for discharging their treated effluents on the basis of their capital investments for establishment and operation. In its circular of January 1997, the Maharashtra Pollution Control Board (MPCB) while intimating the rates of consent fees to its regional offices stated that for calculation of the fees, the gross value of the capital investments<sup>3</sup> and not the weighted down value (depreciated value) was to be taken into account. The Regional Officers of the MPCB were responsible for ensuring that consent fees were levied correctly. The Government revised the rates of consent fees in June 2004.

Scrutiny (October-December 2007) of the records of the regional offices (ROs) of MPCB at Kalyan, Mumbai, Navi Mumbai-Raigad and Thane

<sup>2</sup> (1) Deputy Director, Social Forestry, Raigad; (2) Deputy Conservator of Forest (DCF), East Nashik; (3) DCF, Buldhana; (4) DCF, West Nasik; (5) Sub-divisional Forest Officer, Beed; (6) DCF, Ahmednagar; (7) DCF, Junnar; (8) DCF, Shahapur and (9) DCF, Nanded.

<sup>3</sup> Gross value of capital investment includes value of land, building, flat, machinery etc., but without any depreciation.

revealed that consent fees had been recovered from 23 industries on the basis of their net block assets of capital investment instead of gross capital investment leading to realisation of consent fees of Rs 28.66 lakh as against Rs 62.03 lakh due, during 1993-2007.

Thus, incorrect computation of consent fees in contravention of MPCB's own instructions resulted in short recovery of consent fees of Rs 33.37 lakh<sup>4</sup>.

The Regional Officers of MPCB accepted (October-December 2007) the omission. An amount of Rs 3.22 lakh out of Rs 8.27 lakh was recovered (February 2008) by the Regional Officer, MPCB, Kalyan on account of unrealised consent fees. Recovery made in respect of Mumbai, Navi Mumbai and Thane Regions was awaited.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

## **Housing Department**

### **Maharashtra Housing and Area Development Authority**

#### **4.2.2 Unauthorised occupation of land and non-recovery of lease premium**

**Failure of the Maharashtra Housing and Area Development Authority to ensure the fulfillment of terms and conditions of allotment and taking action for the violation resulted in unauthorised occupation of land. Subsequent delay in taking a decision for regularisation resulted in non-recovery of Rs 12.75 crore on account of lease premium, rent and penalty and consequential loss of interest of Rs 1.53 crore on it.**

The Mumbai Housing and Area Development Board (Board) a constituent of the Maharashtra Housing and Area Development Authority (MHADA) decided (April 1978) to allot a plot of 5929.40 sqm reserved for the purpose of secondary school on lease to Vandre Nagrik Shikshan Sanstha (VNSS)<sup>5</sup> to build a secondary school. The lease deed for a period of 30 years was executed in October 1984 and actual possession of the land was given in January 1985. As per the clause 1(h) of the lease deed, subletting or transfer of the land without the prior permission of MHADA was not permissible. Further, as per clause 4 of the agreement, MHADA could terminate the lease deed and take back possession of the land and building thereon.

VNSS, however, entered into a co-operation agreement with the Indian Education Society (IES)<sup>5</sup>, another society involved in the educational field,

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<sup>4</sup> RO, Kalyan (Rs 8.27 lakh); RO, Mumbai (Rs 12.95 lakh); RO, Navi Mumbai (Rs 8.75 lakh) and RO, Thane (Rs 3.40 lakh).

<sup>5</sup> A society registered under Societies Registration Act, 1960 and also registered under Bombay Public Trust Act, 1950 (it is a private body).

vide an agreement of November 1987, without the prior approval of the Board and MHADA. IES constructed a multi-storeyed building without the approval of the Board and MHADA, established architectural and management colleges which was beyond the objective of initial allotment and also rented part of the building to private parties for commercial use. The Board came to know of these facts only in November 1997, when IES approached the Board for transferring the plot in their name. However, MHADA did not terminate the lease agreement with VNSS and take back the possession of the land and building as per the conditions of lease agreement. Instead, the legal Advisor/MHADA in February 2002 while agreeing that the terms of allotments to VNSS had been violated, advised that the allotment in favour of IES may be regularised. Accordingly, MHADA decided in January 2004 to regularise the allotment of the plot in the name of IES from the time of actual occupation (January 1985) of the plot. They imposed a condition of levying 50 *per cent* of the present market cost for the area of land used for the architectural and management colleges, which was not envisaged as per the original allotment conditions of the plot to VNSS. The Board raised (November 2005) a demand with IES for Rs 12.75 crore which included lease premium, rent and penalty. IES however, did not pay the amount and continued (March 2008) to occupy the plot irregularly.

The Secretary, Housing Department directed (November 2006) the Vice President and Chief Executive Officer, MHADA to offer a hearing to IES in the matter. Action in the matter had not been taken as of March 2008.

Thus, failure of MHADA to monitor and ensure fulfilment of the conditions of allotment of the plot by VNSS and thereafter to terminate the lease agreement and to take over the land and buildings thereon resulted in usage of the plot by IES for purposes other than stipulated by it at the time of allotment. Besides, the delay in taking a decision in the matter and the subsequent inaction of MHADA has resulted in continued unauthorised utilisation of MHADA land by IES. MHADA has also failed to ensure recovery of Rs 12.75 crore on account of lease premium (Rs 0.39 crore), rent (Rs 12.18 crore) and penalty (Rs 0.18 crore) for the continued occupation of the plot by the IES. The loss on account of interest on these dues to MHADA, at the prevailing Government lending rate, from January 2006 to March 2008 was Rs 1.53 crore.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

**Maharashtra Housing and Area Development Authority**

**4.2.3 Non-recovery of land rent**

**Non-raising of demand with the Brihanmumbai Municipal Corporation for land rent in respect of slum dwellers to whom photo passes were issued resulted in non-recovery of Rs 2.47 crore.**

The Housing Department of the Government, while announcing a scheme of issuance of photo passes to all eligible slum dwellers whose slums were in existence up to 1 January 1995, decided (July 2001) to levy a monthly consolidated tax from the slum dwellers having photo passes. The rate of tax prescribed for the residential category was Rs 100 per month. This tax<sup>6</sup> consisted of service charges (40 *per cent*), land rent (40 *per cent*) and administrative charges (20 *per cent*). As per instructions issued (May 2003) by the Government, the tax was to be recovered from January 2003 onwards.

The Brihanmumbai Municipal Corporation (BMC) was to collect the consolidated tax in respect of all the slums in Mumbai irrespective of the ownership of the land and to remit the land rent portion to the landowners i.e., the Government or the Maharashtra Housing and Area Development Authority (MHADA) as the case may be.

Scrutiny (January 2007) of the records of the Chief Officer, Mumbai Housing and Area Development Board (Board), a unit of MHADA, revealed that though the Board had issued 12,872 photo passes during the period from January 2003 to March 2008, it had not raised any demand for the land rent portion with the BMC. The amount of land rent recoverable from 12,872 photo pass holders for the period from January 2003 to March 2008 was Rs 2.47 crore. The reasons for not raising any demand with the BMC were sought for from the Board in October 2007. A response from MHADA is still awaited (May 2008). It was also seen that BMC could not collect the consolidated tax in respect of photo pass holders in MHADA land due to non-availability of the details from MHADA.

Thus, non-raising of any demand with BMC for land rent in respect of slum dwellers to whom photo passes were issued, resulted in non-recovery of Rs 2.47 crore on account of land rent due to MHADA alone for the period from January 2003 to March 2008.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

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<sup>6</sup> On collection of this consolidated tax by BMC the service charges and administrative charges were to be retained by it and land rent (40 *per cent*) was to be handed over to the land owning authority i.e., the Government, MHADA or BMC as the case may be.



**Slum Rehabilitation Authority**

**4.2.4 Loss of interest due to investment in contravention of investment policy**

**Investment of funds in a loss making corporation having net worth of less than Rs 50 crore by the Slum Rehabilitation Authority, contrary to Government guidelines, resulted in loss of interest of Rs 1.41 crore.**

Finance Department's guidelines (August 2002) on investment of surplus funds by State Public Sector Enterprises (PSEs), permitted inter-corporate loans, provided the borrowing PSEs were profit-making and had a net worth of not less than Rs 50 crore. They also stipulated that every PSE should arrange to place the revised guidelines at its next Board meeting and ensure that these guidelines were scrupulously followed. Accordingly, the Slum Rehabilitation Authority (SRA) placed the above guidelines in its meeting held on 26 November 2002 and decided to follow the same.

Scrutiny (November 2007) of investment of surplus funds by the SRA revealed that SRA invested Rs 5.22 crore with M/s Maharashtra Small Scale Industries Development Corporation Limited (MSSIDC) during the period from April to October 2004, for a period of one year without verifying whether MSSIDC was profit making and had a net worth of not less than Rs 50 crore. It was however, noticed from the provisional accounts of MSSIDC for the year 2003-04 that MSSIDC had incurred a loss of Rs 5.30 lakh and had a net worth of only Rs 8.24 crore during that year. Thus, MSSIDC did not fulfill any of the conditions prescribed in the Government guidelines.

Further, as per terms of investment, the principal along with interest was to be redeemed on maturity. Though, SRA asked for the return of the principal amount, the MSSIDC could not return the same due to its poor financial position. Further, SRA was not receiving any interest from MSSIDC on its investment from June 2005 onwards (i.e., for nearly three years). The loss on account of non-receipt of interest was Rs 1.12 crore as of March 2008. Considering the Government lending rates prevailing during the period from 2005-06 to 2007-08, the loss of interest on the unrealised interest works out to Rs 28.56 lakh.

Thus, non-adherence to the investment policy of the Government resulted in a loss of interest of Rs 1.41 crore on the injudicious investment. Besides, the possibility of recovery of the principal of Rs 5.22 crore invested with MSSIDC appears to be remote.

The matter was referred to Secretary to the Government in May 2008. Reply had not been received (August 2008).

**Maharashtra Housing and Area Development Authority**

**4.2.5 Loss due to sub-standard work**

**Allotting of building work to inexperienced contractors and not ensuring the quality of construction during execution resulted in sub-standard work and consequential loss of Rs 63.21 lakh due to reduction in the sale price of tenements.**

The Aurangabad Housing and Area Development Board (Board), a unit of the Maharashtra Housing and Area Development Authority (MHADA) constructed (December 2001) 100 tenements for the lower income group for Gumashta Co-operative Housing Society (Society) in Latur District at a cost of Rs 68.95 lakh. In order to comply with the Chief Minister's directives to complete the project within the stipulated period of six months, the normal procedure of tendering was dispensed with. The work was split into 10 parts and allotted directly to inexperienced unemployed engineers<sup>7</sup> on the recommendation of the Superintending Engineer, Public Works Circle, Osmanabad, at the estimated cost. The sale price per tenement was fixed (February 2002) at Rs 84,665<sup>8</sup> as per the pricing policy of MHADA.

The tenements were allotted (March 2002) to the members of the Society after taking an initial payment of Rs 28,290 per tenement. The balance amounts (Rs 60,000 per tenement) were treated as loans bearing interest of 13.5 *per cent*, repayable in 14 years at monthly installments of Rs 900.

Scrutiny (April 2008) of the records of the Chief Officer of the Board revealed that after taking possession of the tenements, a majority of the members of the Society did not pay the monthly installments. In January 2005, the members of the Society complained to the Chief Minister that the construction of the tenements was of poor quality and sub-standard and requested for a reduction in the cost of the tenements.

An investigation of the quality of the tenements was conducted (July 2005) by the vigilance wing of MHADA which concluded that there were failures by the then Executive Engineer, the Deputy Engineer and the Junior Engineer in ensuring the quality of the work during execution. They also recommended that the administration may take suitable action against them. However, no action was taken against any of these officials (August 2008).

In order to settle the grievances of the members of the Society, a meeting was convened (November 2005) by the Principal Secretary, Housing Department,

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<sup>7</sup> There is a panel of unemployed engineers registered with the Public Works Department and a work allotment committee headed by the Superintending Engineer who forwards their names to various agencies for allotment of work.

<sup>8</sup> Work expenditure: Rs 69,000 + Establishment charges (7.5 *per cent*): Rs 5,175 + Interest capitalisation upto February 2002: Rs 9,110 + Unforeseen liability (2 *per cent* on Rs 69,000): Rs 1,380 = Rs 84,665.

wherein it was decided to reduce the price of the tenements under a one-time settlement. Accordingly, MHADA decided (February 2006) to fix the sale price per tenement at Rs 57,286 as against the earlier sale price per tenement of Rs 1,20,500<sup>9</sup> recoverable in February 2006, as per the pricing policy of MHADA.

Thus, execution of the building work through inexperienced contractors and not ensuring proper quality of work during execution resulted in sub-standard work. Consequently, MHADA had to reduce the sale price of the tenements, sustaining a loss of Rs 63.21 lakh.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

### **Maharashtra Legislature Secretariat**

#### **4.2.6 Loss due to delay in submission of refund claims**

##### **Failure of the department to claim refunds on unused railway tickets within the stipulated period resulted in loss of Rs 49.78 lakh.**

According to the provisions of the Maharashtra Legislature Members (Free Transit by Railways) Rules, 1965, Members of the Maharashtra Legislative Assembly (MLA) are provided rail travel coupons which can be exchanged for tickets for travelling by rail within and outside the State of Maharashtra. Further, Railway Refund Rules provide that in case of journeys being cancelled by the Members, the unused or partly used tickets are forwarded by the Members to the department, which in turn presents the same to the railways to claim refunds. The refund claims of the unused tickets are admissible provided they are submitted within 90 days from the dates of the journeys. These claims shall, in all cases, be made only to the Secretary, Maharashtra Legislature Secretariat (MLS) and not to individual Members.

Scrutiny (January 2008) of the records of the MLS and further information collected (March 2008) revealed that refund claims amounting to Rs 49.78 lakh in respect of unused tickets from 1999-2000 to 2005-06 were rejected by the Railways on the grounds that the same were not submitted within the specified period of 90 days. The refund claims included Rs 47.66 lakh for the period from 1999-2000 to 2003-04, which were submitted to the Railways on 9 September 2004 and 8 October 2004. This resulted in loss of Rs 49.78 lakh to the Government.

In reply, the Deputy Secretary to the Government stated (July 2008) that the fact that refund claims were to be submitted within 90 days of the date of journeys, was not brought to the notice of the Government by the Railway authorities and as such the staff was not aware of the same.

<sup>9</sup> Considering interest capitalisation up to January 2006 (Rs 45,013), establishment charges (Rs 5175) and unforeseen liability (Rs 1195)

The reply was not tenable because as per Rule 19(2) of the Maharashtra Legislature Members (Free Transit by Railways) Rules, 1965 the refunds are subject to Railway Rules. As such it was the responsibility of the Government to ascertain the provisions of the Railway Rules.

## **Public Works Department**

### **4.2.7 Extra liability**

**Withdrawal of work on the ground of paucity of funds, despite availability of funds, resulted in extra liability of Rs 99 lakh on Government on retendering of the work.**

The work of construction of Administrative building for Collector, Hingoli was administratively approved (November 1999) by Government, to be executed by Executive Engineer, Public Works Division, Hingoli (EE) as deposit work. The work was awarded (March 2001) by the EE to a contractor at 19.22 *per cent* below the estimated cost of Rs 5.53 crore. However, the work was withdrawn (June 2007) from the contractor under clause 15(i) after incurring an expenditure of Rs 5.18 crore on the ground of paucity of funds. The balance work costing Rs 1.16 crore was revised to Rs 1.69 crore due to adoption of current rates and was awarded (November 2007) to another contractor at 14.70 *per cent* above the revised estimate at Rs 1.93 crore.

Scrutiny (February 2008) of records of the EE revealed that the proposal for the withdrawal of work under clause 15 (i) submitted by the EE in April 2006 on the ground of paucity of funds, was approved (October 2006) by the Chief Engineer, Public Works Department, Aurangabad (CE). It was, however, observed that Rs 2.60 crore was available (March 2006) with the EE on the date of submission of proposal of withdrawal. Thus, re-tendering of the balance work despite availability of funds resulted in an excess liability of Rs 99<sup>10</sup> lakh on Government being the differential cost.

The Government stated (July 2008) that due to non-receipt of funds the extension for completion of works was granted upto March 2006. However, due to price rise in materials i.e., cement, steel etc., the contractor requested for withdrawal of work under Clause 15 (i) in January 2006 and accordingly the work was withdrawn in October 2006. Further, Government accepted extra liability of Rs 36.92 lakh.

The contention of the Government is not acceptable as the price escalation clause was there in contract and sufficient funds were available with the EE at the time of withdrawal of work.

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| <sup>10</sup> Cost of balance work (as per original estimate) | Rs 1.16 crore |
| Tendered cost of balance work (19.22 <i>per cent</i> below)   | Rs 0.94 crore |
| Revised cost of balance work (adopting the current rate)      | Rs 1.68 crore |
| Re-tendered cost of balance work (14.70% above)               | Rs 1.93 crore |
| Excess liability = Rs 1.93 crore (-) Rs 0.94 crore =          | Rs 0.99 crore |

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#### 4.2.8 Extra expenditure due to non-observance of specifications

##### **Non-adoption of the prescribed specification by the Executive Engineers led to extra expenditure of Rs 20.07 lakh on NABARD assisted road works.**

The Government in Public Works Department issued (October 1998) instructions that uniform specifications should be adopted in all road works across the regions. The specifications to be adopted for NABARD works stipulated that the roads should be provided with liquid seal coat over 20 millimeter (mm) Open Grade Premix Carpet (OGPC). It was, however, noticed that in Public Works Divisions, Pusad and Yavatmal, the premix seal coat was provided in 17 road works executed during 2006-07 under NABARD road project. According to the current schedule of rates (CSR) of Amravati Region, the cost of providing liquid seal coat was Rs 20 per square meter (sqm) and that of premix seal coat was Rs 26.50 per sqm. The Department, thus, incurred an extra expenditure of Rs 14.01 lakh on 17 road works in which 21,5476.63 sqm of premix seal coat was provided.

Further, as per the Government instructions (1998), the roads should be provided with 20 mm OGPC with liquid seal coat over Bituminous Bound Macadam (BBM) surface. It was, however, noticed that in respect of two road works<sup>11</sup> executed by the Executive Engineer (EE), Tribal Public Works Division, Kalwan, Nashik and the EE, Public works (North) Division, Pune during the years 2002-03 and 2007-08 respectively, 25 mm OGPC over BBM was provided instead of 20 mm OGPC. As per the relevant CSRs, the differences in rates were Rs 12 per sqm and Rs 15.80 per sqm in respect of the works in Nashik and Pune respectively. This resulted in extra expenditure of Rs 3.38 lakh in Nashik on 28,160 sqm of OGPC used in the road and Rs 2.68 lakh in Pune on 16,968 sqm of OGPC provided in the road.

The Superintending Engineer (SE), Yavatmal stated (April 2008) that liquid seal coat was not up to the mark, therefore premix seal coat was provided. Similarly, the EE, Nashik and the EE, Pune stated (May 2008) that provisions were made as per site conditions and technical requirements. The replies were not tenable, as neither the Government instructions permitted any relaxation from uniform standards nor the SE/EEs sought for any relaxation from the Chief Engineers.

Thus, the Department incurred an extra expenditure of Rs 20.07 lakh on NABARD assisted works due to non-adoption of the specification prescribed by the Government.

The matter was referred to the Secretary to the Government in June 2008. Reply had not been received (August 2008).

<sup>11</sup> Improvement of Nanduri to Saptashrunji Gad at Nashik and Poud Kolavan - Lonavala road at Pune

## Water Resources Department

### 4.2.9 Excess payment

**Consideration of indices of the last months alone instead of the average indices of the entire period under consideration resulted in excess payment of price escalation of Rs 1.32 crore to the contractor.**

Work of construction of Mula High Level Right Bank Pipe Canal (Wambori Pipe Chari) was awarded (February 2000) to a contractor by Executive Engineer, Upper Pravara Canal Division, Ahmednagar (EE) in C form tender for Rs 91.90 crore for completion within 84 months including monsoon. Work is ongoing and 42nd bill was paid in March 2008. One of the conditions of contract stipulates that bill should be submitted by the contractor by 25th day of every month. Further, for computing price escalation, the average consumer price index for industrial workers, cement, steel and material to be considered for the quarter under consideration in which the work was actually executed. In respect of fuel component, the average official retail price of Indian Oil Corporation at Ahmednagar for the 15th day of the middle calendar month of the quarter under consideration should be taken. Price escalation amounting to Rs 29.72 crore was paid (March 2008) to the contractor.

Scrutiny (January 2008) of records of EE and details collected (April 2008) revealed that the contractor was furnishing the bills after periods ranging from two to 15 months instead of every month. Further, while calculating the price escalation the EE was considering the indices of the last months prior to the date of submission of bill instead of the average of the entire period from February 2000 to December 2006 of the bill as the bills were not submitted regularly, resulting in excess payment of Rs 1.32 crore on account of price escalation. Thus, consideration of incorrect indices resulted in excess payment of price escalation to the contractor.

The EE stated (April 2008) that the indices were considered on quarter basis from the date of work order which was correct.

The reply was not acceptable as the payment for price escalation was made considering indices of last three months alone instead of average of indices of the entire period (for which each bill was drawn) under consideration as per the terms of contract.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

#### 4.2.10 Irregular Payment

**Irregular payment of Rs 36.91 lakh was made to the contractor on account of price escalation on forest and environmental clearance work.**

Work of designing, planning and construction of the dam at Bhagpur Nashirabad, Bodhwad and Shree Padmalaya Parisar Sinchan Yojana in Jalgaon District along with all appurtenant works including forest and environmental clearance were awarded (December 1999) to the contractors on 'C'(lump sum contract) tender at a cost of Rs 689.54 crore.

As per the details of the contract and the Letter of Intent (LOI), the contractor was required to obtain the forest clearance from GOI and final work order was to be issued after submitting the forest and environmental clearances. As per special condition of the contract, the price escalation was payable on the basis of the prevailing price index from the date of work order. However, the forest clearance was not included in the list of items on which price escalation was payable.

Scrutiny (August 2005) of the records of the Executive Engineer, Minor Irrigation Division, Jalgaon (EE) revealed that EE issued (March to June 2002) the final work orders and paid (between January and April 2003) Rs 36.91 lakh on account of price escalation on forest clearance work to the contractors. As the forest and environmental clearance work was not included in the items on which price escalation was payable, the payment of price escalation thereon was irregular and against the contract conditions. This resulted in irregular payment of Rs 36.91 lakh to the contractor.

Executive Director, Tapi Irrigation Development Corporation, Jalgaon stated (October 2006) that the price escalation on forest clearance work was paid to the contractor as the work was a part of accepted tender.

Reply was not tenable because even though the forest and environmental clearance was a part of dam work, the same was not included in the items on which price escalation was payable.

The matter was referred to the Secretary to the Government in April 2008. Reply had not been received (August 2008).

#### 4.2.11 Wasteful expenditure on consultancy charges

**Wasteful expenditure of Rs 59.75 lakh was incurred on payment to a consultant hired for obtaining environmental clearance to Bembla Irrigation Project which was not required.**

As per Government of India Ministry of Environment and Forest (MOEF), notification dated 27 January 1994, expansion or modernisation of any existing project/activity (if pollution load is to exceed the existing one), or new project listed in Schedule I to the notification, shall not be undertaken in any part of India unless it has been accorded environmental clearance by the

Central Government in accordance with the procedure specified in the notification.

Scrutiny (November 2007) of the records of Executive Engineer (EE), Bembla Project Division, Yavatmal revealed that the EE awarded (March 2004) a lump-sum contract to carry out Environmental Impact Assessment study as per the provisions of MoEF's Notification dated 4 May 1994 for obtaining Environmental Clearance of ongoing Bembla Project (started in January 1993) to a contractor at a cost of Rs 59.75 lakh. The work of environmental clearance completed between March 2004 to November 2005 and proposal was submitted to MoEF in December 2005 for approval. The MoEF stated (December 2005 and January 2007) that the Bembla Project is an ongoing project which had started before issue of Notification dated 27 January 1994 and hence did not attract the provisions of Notification stated *supra*. Entire payment of Rs 59.75 lakh was made to the contractor (November 2007).

Thus, incurring the expenditure by the EE for obtaining environmental clearance without ascertaining its actual requirement has resulted in wasteful expenditure of Rs 59.75 lakh.

The EE stated (November 2007) that the environmental clearance work was awarded to the contractor, as the report on environmental aspect was required to be included in the Detailed Project Report to be submitted to the Central Water Commission, New Delhi.

The reply was not tenable as the contract was awarded specifically for obtaining environmental clearance in terms of MoEF's Notification of January 1994 as amended in May 1994.

The matter was referred to the Secretary to the Government in March 2008. Reply had not been received (August 2008).

## **Water Supply and Sanitation Department**

### **4.2.12 Loss of interest**

**Funds received under Shivkalin Pani Sathwan Yojana were kept in current account instead of savings account resulting in loss of interest of Rs 46.34 lakh.**

To increase the availability of drinking as well as for other domestic use and to augment the source of water, Government introduced (February 2002) *Shivkalin Pani Sathwan Yojana* (Scheme). Funds from various Central and State programmes were to be utilised for this scheme. In May 2003, Government issued instructions that funds received from various sources for implementation of the scheme, should be kept in separate bank account (Nationalised or Co-operative bank).

Scrutiny (August 2007) of records of the Senior Geologist, Groundwater Survey and Development Agency (GSDA), Jalna revealed that the funds



received during the years 2003-07 under the Scheme were kept in current account. Similar position was noticed in Beed and Osmanabad Districts. Keeping the scheme funds in current account has resulted in loss of interest of Rs 46.34 lakh for the period from April 2003 to January 2008.

While accepting (January 2008) the fact, the Principal Secretary stated that action would be taken against the officials and intimated to Audit within a week. Government also issued (January 2008) instructions to implementing agencies for opening savings account in nationalised banks. Report on action taken had not been received (August 2008).

**4.3 Violation of contractual obligations, undue favour to contractors and avoidable expenditure**

**Departments of Home, Medical Education & Drugs and Public Works**

**4.3.1 Avoidable financial liability**

**Due to non-availing of the benefit of an amnesty scheme of Brihan Mumbai Electric Supply and Transport for waiver of delayed payment charges of electricity bills, three Departments missed the opportunity of reducing liability of Rs 12.02 crore.**

Brihan Mumbai Electric Supply and Transport (BEST) Undertaking had announced (August 2006) an amnesty scheme for its electricity consumers who had outstanding electricity bills. Under the scheme, all the electricity consumers of BEST who were willing to settle their outstanding bills were to be granted amnesty by way of waiver of accrued delayed payment charges (DPC) for the last five years i.e., from the bill month of April 2000 onwards. Further, in the forthcoming bill, outstanding energy charges and DPC would be shown separately and 100 *per cent* DPC would be waived, if the outstanding energy charges were paid within one month from the bill date. For Government organisations, the scheme was open for four months from the bill date i.e., upto December 2006.

Scrutiny (January 2007 and January 2008) of records revealed that there were huge outstanding electricity bills against the following three Government Departments as of September 2006.

(Rupees in crore)

| Name of the auditee unit                              | Energy charges | Delayed payment charges | Total amount outstanding |
|---|----------------|-------------------------|--------------------------|
| Commissioner of Police, Mumbai                        | 4.23           | 4.84                    | 9.07                     |
| Medical Education and Drugs Dept                      | 3.30           | 4.93                    | 8.23                     |
| Public Works Department (including other departments) | 3.88           | 2.25                    | 6.13                     |
| <b>Total</b>  | <b>11.41</b>   | <b>12.02</b>            | <b>23.43</b>             |

The General Manager, BEST had taken up (November 2006) the matter with the concerned Departments but they had failed to avail of the benefits of the scheme.

The Commissioner of Police, Mumbai stated (October 2007) that they had approached BEST to extend the period of the amnesty scheme. Further, there were some discrepancies in the number of consumers shown against the office of the Commissioner, which had been taken up with BEST in March 2007. Subsequently, a meeting was also held with them, wherein it was informed that the period of amnesty scheme had expired. Replies from the other Departments were awaited (April 2008).

Thus, failure of the Departments to avail of the benefit of the amnesty scheme of BEST by payment of energy charges of Rs 11.41 crore within the stipulated period resulted in financial liability of delayed payment charges to the extent of Rs 12.02 crore to these departments.

The matter was referred to the Principal Secretaries to the Government in May 2008. Reply had not been received (August 2008).

## **Housing Department**

### **Slum Rehabilitation Authority**

#### **4.3.2 Irregular expenditure**

**The SRA irregularly reimbursed the infrastructure and development cost (Rs 3.46 crore) to a Developer of slum rehabilitation scheme, in violation of the Development Control Regulation. Even, consent of the BMC was not obtained.**

The Slum Rehabilitation Authority (SRA) is a planning authority for slum rehabilitation schemes and the Shivashahi Punarvasan Prakash Limited (SPPL), a Government company is one of the executing agencies (Developers<sup>12</sup>) of the schemes. As per the regulation 33 (10) of the Development Control Regulation for Greater Mumbai, 1991, the SRA was to collect infrastructure charges and development charges for the rehabilitation project from the Developer and pass on 90 *per cent* of the amount to Brihanmumbai Municipal Corporation (BMC) for construction of such facilities in the area.

Scrutiny (November 2007) of the records of SRA revealed that SPPL requested (June 2004) SRA to reimburse Rs 6.92 crore being the cost of construction of an auxiliary water tank with a water supply line from the tank to the underground tank (Rs 3.57 crore) and a Development Plan (DP) road (Rs 2.45 crore), incurred (2001-2004) by it on a slum rehabilitation scheme at

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<sup>12</sup> Expenditure incurred by a Developer for a rehabilitation scheme is compensated by permitting construction and sale of extra floor space index.

Dindoshi, Goregaon along with departmental charges (Rs 0.90 crore). The SPPL contended that these were infrastructure works to be executed by BMC; hence, cost of the work should be reimbursed to it from the infrastructure charges (Rs 12.90 crore) it had paid for the project. As the 90 *per cent* share of the charges had not been passed on to the BMC, the SRA decided (June 2004) to reimburse the cost to SPPL, subject to submission of a certificate of reasonableness of the expenditure by SPPL from BMC. The SRA, however, reimbursed (October 2004) Rs 3.46 crore to SPPL (being 50 *per cent* of claim) without ensuring reasonableness of the expenditure and without consent of the BMC on the ground of financial crunch of SPPL.

It was, however, noticed that BMC accorded approval of the layout plan of the auxiliary water tank and the water supply line for the above scheme to the SPPL in December 2000, with the stipulation that the entire cost of these works was to be borne by SPPL. With regard to the DP road, the Chief Engineer, Roads and Traffic, BMC refused (May 2005) to certify the reasonableness of the expenditure (Rs 2.45 crore) on the ground that SPPL had approached BMC after execution of the work. The decision of SRA to reimburse to SPPL the cost of the infrastructure works and that too without obtaining the consent from BMC was not justifiable as it violated the Development Control Regulation. Thus, reimbursement of Rs 3.46 crore to SPPL was irregular. Further, reimbursement of Rs 1.01 crore for the auxiliary water tank and the water supply line was an undue benefit to SPPL, as the cost was to be borne by SPPL.

The matter was referred to the Principal Secretary to the Government in May 2008. Reply had not been received (August 2008).

## Medical Education and Drugs Department

### 4.3.3 Avoidable burden on construction of hospital building

**Failure to provide adequate funds in time for construction of a 500-bedded hospital building resulted in inordinate delay in its construction and avoidable burden of Rs 6.36 crore.**

The Medical Education and Drugs Department of the Government administratively approved (January 1998) construction of a 500-bedded hospital building at Bhausahab Hire Government Medical College (BHGMC), Dhule in order to provide medical facilities to the tribal and poor patients of Dhule, Jalgaon, Nandurbar and Nashik Districts and also to enhance the capacity of the college from 50 to 100 students. The work was technically sanctioned (November 2001) by the Chief Engineer (CE), Public Works Region, Nashik and was awarded (May 2002) by the Executive Engineer (EE) to a contractor at a tendered cost of Rs 10.32 crore, for completion by November 2005.

Scrutiny (May 2005) of the records of the Dean, BHGMC and information collected subsequently revealed that the work was stopped during the period from April to September 2004 and again from May 2005 onwards for want of funds. The CE withdrew (May 2006) the work from the contractor under Clause 15 of the tender conditions as the contractor had fallen ill and requested to be relieved from the work. Till then, the contractor had executed works valued at Rs 1.19 crore. On availability of funds during 2006-07, the Dean requested (April 2006) the EE Public Works Division to split the work into two 250-bedded wings and take up the construction of the 250-bedded wing, already under execution, instead of the entire hospital building, in view of the uncertainty regarding receipt of funds. The CE approved (August 2006) splitting up the work into two 250-bedded wings of the hospital building. The work of construction of one 250-bedded wing of the hospital building (Part I) was awarded (November 2006) to a second contractor at a tendered cost of Rs 6.60 crore (at 14 *per cent* above the estimated cost of Rs 5.79 crore) for completion by November 2008. The work of construction of the other 250-bedded wing of the hospital building (Part II) was awarded (March 2008) to a third contractor at a tendered cost of Rs 10.08 crore (at 59.22 *per cent* above the estimated cost of Rs 6.33 crore) for completion by June 2009. Both the works were under progress (June 2008).

Thus, failure of the Government to provide adequate funds in time for construction of the 500-bedded hospital building resulted in inordinate delay of over five years in its construction and subsequent avoidable burden of Rs 6.36 crore due to increase in cost. Besides, the capacity of the college could not be enhanced and the patients were deprived of the benefits of the hospital.

Confirming the above facts, the Dean stated (December 2007) that the works would be completed within two years.

The matter was referred to the Secretary to the Government in June 2008. Reply had not been received (August 2008).

## **Public Works Department**

### **4.3.4 Avoidable extra liability for want of land**

#### **Commencement of construction of an office building on false certification about availability of land led to avoidable extra liability of Rs 58.36 lakh.**

The Maharashtra Public Works Manual provides that no work should be commenced on land which has not been duly made over by the responsible Civil Officer. When tenders for the works are accepted in advance of acquiring the land, the time required for acquisition of the land should be ascertained from the District Collector concerned before issue of orders to commence the work.

Scrutiny (March 2008) of records of Executive Engineer, Public Works Division, Bhandara (EE) revealed that in November 2002 Government approved construction of a tahsil office building at Lakhni, District Bhandara at a cost of Rs 1.41 crore. In August 2004, the EE had given an undertaking to Superintending Engineer, Public Works Circle, Nagpur that the land was in possession and the work would not be held up for want of land. The work was awarded (December 2004) to a contractor at 4.99 *per cent* below the estimated cost of Rs 75.99 lakh for completion within twelve months. The contractor could not start the work as Gram Panchayat, Lakhni refused (December 2003) to allow any construction on the proposed site. The Collector Bhandara in December 2005 provided alternate land. The contractor could start the work only in February 2006 and expenditure of Rs 6.30 lakh was incurred (8.72 *per cent*) on it up to April 2007 as only 0.45 hectare of land out of 1.03 hectare was provided. The contract was terminated (August 2007) at the risk and cost of contractor on the plea of slow progress of work by the EE. The contractor filed an appeal against the decision before Chief Engineer. On the basis of the representation made by the contractor, the EE recommended to the SE for withdrawal of work under clause 15 instead of the risk and cost clause on the ground that the department had failed to provide land to the contractor. Thus, there was no possibility of the extra cost being recovered from the first contractor. In March 2008, the balance work costing Rs 69.12 lakh was awarded to another contractor at 79.80 *per cent* above the estimated cost of balance work to be completed in nine months. Award of work on false certification, delay in providing 1.03 hectare of land required for the purpose, withdrawal of work from first contractor and subsequent award of balance work to another contractor on the same site led to avoidable extra liability of Rs 58.36 lakh.

The EE stated (March 2008) that the land was in possession on the date of issue of work order.

The reply was not acceptable as out of 1.03 hectare only 0.45 hectare of land was in possession of the EE who wrongly certified to the complete possession of land. Besides, Gram Panchayat refused (December 2003) to allow any construction on the land for the fear of agitation from local people. As such, in spite of certification of availability of land, the EE failed to provide the land before commencement of work.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

**Urban Development Department**

**4.3.5 Avoidable extra expenditure on excavation of excess quantities**

**Improper survey and planning resulted in avoidable extra expenditure of Rs 2.58 crore due to enhanced rates paid for excavation of excess quantities**

The Mumbai Metropolitan Region Development Authority (MMRDA) initiated the Mumbai Urban Infrastructure Project (MUIP) with the objective of improving the road network and creating an efficient traffic dispersal system in Mumbai.

Scrutiny (October 2007) of the records of MMRDA revealed that works of widening and construction of the Western Express Highway (i) from the Times of India Flyover to Asha Nagar Subway (Package VII) and (ii) from the Asha Nagar Subway to Kulupwadi Pedestrian Subway (Package VIII) were awarded to a contractor in March 2004 and June 2004, at the estimated costs of Rs 26.10 crore and Rs 28.07 crore, to be completed by June 2005 and September 2005 respectively. Both the works were withdrawn (November 2006) from the contractor due to poor progress of works mainly due to deployment of inadequate resources and entrusted (December 2006) to another contractor who had been given the work of construction of flyovers at these places, at the same rates. Till then, the original contractor had executed works costing Rs 16.59 crore of Package VII and Rs 7.59 crore of Package VIII.

It was noticed from the Running Account bills paid in respect of these works for June 2006 that the executed quantities of the item "excavation for road in hard rock" were much more than the tendered quantities. Further, the quantities above 35 *per cent* of the tendered quantities were paid at higher rates as per clause 38 of the contract, according to which the quantities of earth work executed in excess of 35 *per cent* of the tendered quantities were payable at the rates derived from the current schedule of rates or in the absence of such rates, at the prevailing market rates. This resulted in avoidable extra expenditure of Rs 2.58 crore as detailed in the following table:

| Package | Tendered quantity (in cum) | Quantity actually executed (in cum) | Quantity paid for at tendered rate i.e tendered quantity plus 35 per cent of tendered quantity (in cum) | Quantity paid for at higher rate i.e., above 35 per cent of tendered quantity (in cum) | Rate as per tender/ Higher rate at which paid (Rupees) | Difference in rate (Rupees) | Avoidable extra expenditure due to payment of excess quantities at higher rates (Rupees in crore) |
|---------|----------------------------|-------------------------------------|---|--|--|-----------------------------|---|
| VII     | 2500                       | 63490.29                            | 3375  | 60115.29   | <u>268.05</u><br>684.00                                | 415.95                      | 2.50  |
| VIII    | 325                        | 2394.40                             | 438.75  | 1955.65  | <u>268.05</u><br>684.00                                | 415.95                      | 0.08  |

MMRDA stated (October 2007) that as per the initial plan for the Western Express Highway, particularly between Malad and Kandivali, it was proposed to have three lanes each on either side of the carriageway on top of the hillock to avoid cutting the hillock. However, during execution, it was found necessary to have five lanes each on either side of the main carriageway at the same level for the convenience of road users. Also, in view of subways, flyover etc., it was required to have the main carriageway at one level instead of at two different levels. As the hillock portion was huge, the quantity executed exceeded the tender quantity by considerable volume. The Government also concurred (September 2008) with the views of MMRDA.

The reply was not tenable because the nature and width of the proposed road should have been decided before taking up the road work. Besides, had these difficulties been foreseen and planned for accordingly, the work would have been paid for at the tendered rate of Rs 268.05 per cum instead of the higher rate of Rs 684 per cum.

#### 4.3.6 Avoidable expenditure

**Inadequate arrangements for water supply before shifting project affected persons from transit camps resulted in avoidable expenditure of Rs 95.22 lakh towards supply of water by tankers.**

The Mumbai Metropolitan Region Development Authority (MMRDA) undertakes rehabilitation and resettlement schemes for project affected persons (PAPs) under the Mumbai Urban Transport Project (MUTP) and the Mumbai Urban Infrastructure Project (MUIP).

Scrutiny (November 2007) of the records of MMRDA revealed that PAPs staying in the transit camp at Kokari Agar Wadala since 1999-2000 were deprived of the basic amenities and facilities. To improve their living conditions and to comply with the World Bank requirement of removing PAPs

to permanent housing within three years from shifting to transit accommodation, the PAPs were shifted (August 2004) to permanent tenements at Vashi Naka, Chembur. Although water supply was part of the project, the work of the tenements was completed and the PAPs were shifted therein without even commencing the work on the water supply project. Municipal water was made available (February 2005) to these tenements from the available network of the Brihanmumbai Municipal Corporation (BMC) but it was not sufficient. Subsequently, MMRDA laid pipelines upto the Vashi Naka colony and could commence water supply only from September 2006. As a result of non-commencement of water supply project, water had to be supplied through tankers during the period from August 2004 to August 2006, incurring an avoidable expenditure of Rs 95.22 lakh.

MMRDA stated (May 2008) that the water supply scheme comprised various items which were interdependent and were required to be completed in stages, considering constraints like detailed technical study, permission for obtaining possession of land, removal of trees from the site etc.

The reply was not tenable because the PAPs were living in the transit camp from 1999-2000 and as per the World Bank requirements mentioned earlier, they should have been shifted to permanent tenements by 2002-2003. MMRDA should have made adequate arrangements for water supply by that time. Failure to do so resulted in an avoidable expenditure of Rs 95.22 lakh as also inconvenience to the PAPs.

The matter was referred to the Principal Secretary to the Government in May 2008. Reply had not been received (August 2008).

#### **4.3.7 Avoidable liability**

##### **Failure to prepare architectural and structural drawings before calling tender and to obtain approval of heritage committee led to re-tendering and consequent avoidable liability of Rs 91 lakh.**

Government notified (October 2003) various sites of Nagpur City in Heritage Zone and constituted a Heritage Committee (Committee), which would approve construction activities in those sites.

Work of construction of Administrative Building for Maharashtra Animal and Fisheries Science University, Nagpur at Seminary Hills, Nagpur falling under Heritage Zone was awarded (February 2006) to a contractor without approval of the Committee by Nagpur Improvement Trust (NIT) at a total cost of Rs 1.12 crore, which was at 18.36 *per cent* below the estimated cost of Rs 1.36 crore. The schedule dates for commencement of work was 2 February 2006 and for completion by 1 August 2006. The contractor intimated (April 2006), that architectural and structural drawings were not provided and requested for price escalation due to increase in material cost. Board of Trustees of NIT opined (May 2006) that in absence of the relevant provision



in the agreement, price escalation could not be allowed and decided to terminate the agreement.

Fresh tenders with revised estimated cost of the work of Rs 1.96 crore were invited (July 2006) after inclusion of the price escalation clause in the agreement and the work was awarded to another contractor in November 2006 for Rs 2.03 crore (at three and half *per cent* above the estimated cost) for completion in 15 months.

Thus, failure of NIT to obtain approval of Committee to architectural and structural drawings before calling tender led to re-tendering the work and consequent increase in cost of the work. The avoidable liability with reference to the original estimated cost Rs 1.36 crore and that of revised estimated cost Rs 2.03 crore worked out to Rs 91 lakh<sup>13</sup>.

NIT, Nagpur stated (April 2007) that the Building Plan could not be sanctioned as the site was subsequently included in the heritage list and further stated (February 2008) that in the heritage list it was not specified as which area it exactly covers.

Reply was not acceptable as the area of Seminary Hills was already in heritage list from October 2003. NIT a development authority should have been aware of it. Also, the Superintending Engineer, NIT being Member of the Heritage Committee, could have obtained approval well before calling tender for the first time.

The matter was referred to the Secretary to the Government in March 2008. Reply had not been received (August 2008).

**Water Resources Department**

**4.3.8 Excess payment of machinery advance and irregular payment of mobilisation advance**

**Machinery advance and mobilisation advance amounting to Rs 4.57 crore was paid to a contractor in contravention of the contract conditions.**

The work of construction of the Kal dam in Raigad a component of the integrated Kal-Kumbhe hydroelectric project was awarded (March 2005) by the Executive Engineer, Raigad Irrigation Division to a contractor for Rs 69.38 crore, with a stipulated period of completion of 36 months. The work which commenced in April 2005 was still in progress and till October 2007 the contractor had been paid Rs 94.30 crore.

(i) Scrutiny (January 2008) of the records of the Executive Engineer (EE), Raigad Irrigation Division, Kolad revealed that as per clause 8(5) of the

<sup>13</sup> (A) Original estimated cost Rs 1.36 crore less 18.36 *per cent* below = Rs 1.12 crore  
 (B) Revised estimated cost Rs 1.96 crore Add 3.5 *per cent* above = Rs 2.03 crore  
 Difference (B-A) Rs 91 lakh

agreement the contractor was entitled for advance on construction equipment, brought to the work site, limited to 10 *per cent* of the estimated cost of the work put to tender (Rs 55.33 crore). The EE, however, paid (March 2005) machinery advance of Rs 6.73 crore calculated at 10 *per cent* of the updated estimated cost of the work (Rs 67.36 crore) which resulted in excess payment of machinery advance of Rs 1.20 crore to the contractor.

The EE stated (January 2008) that the machinery advance was granted, on the updated estimated cost as per Superintending Engineer's (SE's) letter dated 30 April 2005 and hence, there was no excess payment.

The reply is not tenable because the SE's letter referred to was not a sanction order but a reference made to the CE for clarification in the matter.

The matter was referred to the Secretary to the Government in June 2008. Reply had not been received (August 2008).

(ii) It was further noticed that there was no clause in the tender for payment of mobilisation advance (MA) to the contractor. The Government, however, on the recommendation of the SE, sanctioned (March 2005) MA equivalent to five *per cent* of the estimated cost, as a special case, to speed up the work and to complete the project in time. Accordingly, MA of Rs 3.37 crore was paid to the contractor in March 2005.

The payment of MA without any provision for the same in the tender was not in order and resulted in undue favour to the contractor. This also vitiated the tender procedure as other tenderers, while quoting their offers were not aware of the benefit of receiving such an advance.

The Government stated (July 2006) that MA was sanctioned with the concurrence of the Finance Department and there was no unauthorised aid to the contractor.

The reply is not tenable because MA was sanctioned after issue of the work order and without any provision in the tender. Thus, the grant of MA in contravention of the contract condition was irregular.

#### **4.3.9 Avoidable expenditure**

##### **Unauthorised deviation in specification from uncoursed rubble masonry to colgrout masonry led to avoidable expenditure of Rs 2.13 crore.**

Work of construction of central spillway, tail channels, irrigation-cum-power outlets and balance earth work of right and left flank of the Purna Medium Project was awarded (February 2000) to a contractor at 14.20 *per cent* above the estimated cost of Rs 56.91 crore with the stipulated period of completion of 72 months. As per contractual conditions, the contractor was to execute the work in accordance with the specifications. The agreement *inter alia* provided for colgrout masonry up to five meters width towards upstream side.

Scrutiny (October 2007) of records of the Executive Engineer, Purna Medium Irrigation Division, Achalpur (EE) revealed that the contractor had requested (December 2000) the EE to allow him to execute the item of colgrout<sup>14</sup> masonry instead of uncoursed<sup>15</sup> rubble (UCR) masonry in the remaining portion of inspection gallery in the down river side upto RL of 418.50 metre on the plea that suitable quarries were not available and promised to complete the work in three years instead of six years. Superintending Engineer, Upper Wardha Project Circle, Amravati (SE) rejected (March 2001 and November 2001) the proposal of the contractor stating that suitable rubble quarries were available. He also stated that early completion of the dam was of no use as it would take four to five years to complete the canal distribution system. Superintending Engineer, Central Design Organisation, Nasik had also confirmed (May 2004) that considering the comprehensive stress of 79.37 per square metre of the dam, UCR masonry was sufficient and there was no need of colgrout masonry. The contractor executed 34116.96 cubic meters of colgrout masonry instead of UCR masonry without the approval from the EE. The EE vide his work order register on 11 April 2001 had stated categorically that payment of this colgrout would not be made. However, payment of Rs 2.13 crore was made (February 2007) to the contractor as the Governing Council of Vidarbha Irrigation Development Corporation (VIDC) in its meeting held on 13 December 2006 approved the payment.

The EE stated (October 2007) that the payment was made as per the decision of the Governing Council (VIDC) Nagpur.

The approval of the Governing Council for payment of Rs 2.13 crore was beyond the contractual obligation in a case where the contractor had willfully defied the orders of the EE.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

#### **4.3.10 Undue benefit to contractor**

##### **Incorrect charge of the excise duty resulted in undue benefit of Rs 1.47 crore to the contractor.**

As per Central Excise Tariff (CET) 2005-06, the structures or parts involving iron gates or steel plates prepared at site of work for use in construction work attract 'nil' rate of duty.

Scrutiny (October 2007) of records of Executive Engineer, (EE) Bembla Project Division, Yavatmal revealed that 2048.50 MT of fabrication and erection of gates and allied works costing Rs 20.28 crore was entrusted in February 2006 to the contractor by the EE, Bembla Project Division. The EE

<sup>14</sup> Colgrout masonry consists entirely of cement concrete in which cement slurry is pumped with high pressure to fill the voids if any.

<sup>15</sup> UCR masonry consists large sized rubble fixed with the help of mixture of cement and sand

included excise duty at 16 *per cent* advalorem in the rate analysis and arrived at the estimated cost per metric ton of each items of the work.

Thus, incorrect inclusion of the excise duty at the rate of 16 *per cent* on the iron structures though not chargeable in terms of CET 2005-06 had resulted in undue benefit of Rs 1.47 crore (January 2008) to the contractor.

The EE stated (October 2007) that the breakup of the rates approved by Chief Engineer (Mechanical) Nasik (CE) were not disclosed to the contractor and the work was awarded to contractor at the rate of 22 *per cent* less than the estimated rates approved by CE.

Reply was not acceptable as the estimated rate forming basis of the contract was inclusive of 16 *per cent* excise duty. Further, the contention of the Department that the rates were reduced by 22 *per cent* is not relevant as even after this reduction, the excise component of 16 *per cent* was allowed to the contractor. Further, the contractor was not even registered with the Central Excise Department.

The matter was referred to the Secretary to the Government in March 2008. Reply had not been received (August 2008).

#### **4.3.11 Extra payment to a contractor**

**Failure to regulate payments for work done as per the stipulations in the contract led to extra contractual payment of Rs 1.35 crore to the contractor.**

The Executive Engineer, Upper Pravara Dam Division, Sangamner (EE) entrusted (April 1995) to a contractor on item rate tender for Rs 35.65 crore, the work of construction of masonry dam in truncated section along with irrigation and power outlets of Upper Pravara Project (estimated cost Rs 33.63 crore). The work was to be completed by June 2009. One of the conditions of contract stipulated that the locations of quarries mentioned in the tender were indicative of possible areas only and the contractor should not be entitled for any claim if the material from the areas indicated did not come up to the specifications or requirement. In case the contractor was required to operate on other quarries at longer leads and lifts, no extra claim in respect thereof would be entertained.

Scrutiny (January 2008) of records of EE showed that Superintending Engineer and Administrator, Command Area Development Agency, Ahmednagar (SE) sanctioned (July 2003) three extra item rate lists (EIRLs)<sup>16</sup> for Rs 1.35 crore on account of extra lead charges for sand due to non-availability of sand in the quarries. It was further observed that EIRLs which were executed between calendar years 1995 and 2003 were sanctioned in July 2003 by the SE, which is against the codal provisions.

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<sup>16</sup> New item of work which crop up during execution of work for which no rate specified in the tender

As the contractor was obliged to operate other than specified quarries at his own cost in case of non-availability of material in the specified quarry, payment of Rs 1.35 crore was beyond the contractual obligations and thus avoidable one.

EE stated (January 2008) that weighted lead of 39 Kilometres was considered while preparing the estimates. However, in May 2008, the EE stated that sand was to be brought from longer distance due to non-availability of sand at the specified source. As such EIRLs were paid to the contractor for bringing sand from other quarries.

This explanation was not acceptable as there was no provision in the contracted terms to compensate the contractor for material brought from quarries other than those specified in the contract.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

#### **4.3.12 Payment in violation of contractual obligations**

##### **Failure to abide by the stipulations in the contracts led to extra contractual payment of Rs 39.66 lakh.**

As per the tender conditions, the contractor should visit the quarry sites and satisfy himself about the quality and quantity of the material available as the rates quoted would be inclusive of all leads and lifts involved. The contractor was required to give an undertaking that no claim on account of extra lead charges for bringing material from longer lead would be made.

Scrutiny of records of Executive Engineer (EE) of Mun Project Division Khamgaon and Medium Project Division Gondia between August 2006 and February 2007 revealed that the EEs had paid Extra Item Rate List (EIRL) of Rs 39.66 lakh on account of extra lead for bringing material from the area other than specified in the tender. Thus, payment of EIRL on account of extra lead charges against the contract conditions resulted in extra contractual payment of Rs 39.66 lakh.

The EE Gondia and Khamgaon stated (June 2006, August 2006 and February 2007) that the material available at quarries specified in the tender was inferior; the required material was brought from other quarries which were at longer distance. However, replies from Chief Engineers, Amravati and Nagpur are awaited (August 2008).

The reply was not acceptable as the payment of Rs 39.66 lakh was against the contractual provisions.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

**4.4 Idle investment/idle establishment/blocking of funds, delays in commissioning of equipments and diversion/misutilisation of funds**

**Home Department**

**4.4.1 Idle investment on administrative building of police station**

**Inadequate investigation of the site condition and resultant change in design and increase in cost as well as failure to provide additional funds resulted in the administrative building of police remaining incomplete since October 2006 after spending Rs 43.29 lakh.**

The Home Department of the Government gave administrative approval (July 2003) to the construction work of an administrative building of Mahad Taluka police station in Raigad under the modernisation programme of the police force at an estimated cost of Rs 43.29 lakh. The technical sanction was issued (July 2004) by the Superintending Engineer, Special Project Circle, Navi Mumbai for Rs 40.84 lakh. The Superintendent of Police (SP), Raigad deposited (August 2004) an amount of Rs 43.29 lakh with the Executive Engineer (EE), Public Works Division (PWD), Mahad. The work was awarded (December 2004) to a contractor for Rs 40.45 lakh with a stipulated period of completion of six months.

Scrutiny (February 2008) of the records of EE, PWD, Mahad and information collected (April 2008) from SP, Raigad revealed that the initial building plan envisaged only a ground floor. As the site of the building fell in a flood prone area, in a seismic zone, a revised drawing with stilt plus one floor prepared by the Chief Architect was approved (April 2005) by the SP, Raigad. The increase in cost due to the changes was, however, not communicated by EE, PWD, Mahad to SP, Raigad. Revised estimate of the work with necessary changes in design and some additional works were prepared for Rs 70.07 lakh and were submitted in June 2006 by the EE, PWD, Mahad to the SP, Raigad.

The contractor commenced the work in March 2005 and completed the same in October 2006 except for painting, electrification and some additional works. Though work costing Rs 54.29 lakh was executed, Rs 43.29 lakh was paid (August 2006) to him for want of funds and the work has remained incomplete since then (August 2008).

The SP demanded (July 2006) additional funds from the Director General of Police (DGP), Mumbai who refused (March 2007) to provide the same on the ground that the entire funds were already provided. The EE, Mahad then requested (October 2007) SP, Raigad to provide at least Rs 16.55 lakh for completion of painting and electrification works. However, the funds had not been provided by the SP, Raigad as of April 2008 as the additional funds demanded from the DGP in October 2007 were awaited.

Thus, preparation of the estimates without ascertaining the site conditions resulted in delay in commencement of the work and changes in design and increase in cost. Failure to provide funds by the SP, Raigad towards the increased cost resulted in the building remaining incomplete, after spending Rs 43.29 lakh since October 2006. Besides, the objective of having a proper administrative building for the Mahad Taluka police station under the programme for modernisation of the police force was also not achieved.

The matter was referred to the Secretary of the Government in June 2008. Reply had not been received (August 2008).

## Public Works Department

### 4.4.2 Unauthorised execution of works

#### **Unauthorised works of renovation of offices and rest house were executed by diverting work contingencies amounting to Rs 1.55 crore.**

According to para 145 of the Maharashtra Public Works (MPW) Manual, any provision made in the estimate of a work towards 'contingencies' for unforeseen expenditure should not be diverted to any new item of work without the sanction of the competent authority, even though it is incidental to that work. As per Appendix 42 (Serial No. 14) of the MPW manual, the Superintending Engineer has full powers to divert the provisions for 'contingencies' in the estimates for a work to new items not provided for in the same.

Scrutiny (October 2006 to November 2007) of the records in four<sup>17</sup> offices revealed that the Superintending Engineer, Thane (PW) Circle and the Coastal Engineer, Mumbai had authorised (between October 2003 and November 2007) execution of works like additions and alterations to offices of the circle, division and sub-division as well as renovation of a rest house by permitting diversion of work contingencies aggregating Rs 1.55 crore from the original works<sup>18</sup> to totally unrelated works in contravention of the manual provisions.

Government stated (July 2008) that since various works were being executed through the division offices, the repairs and renovation of the division offices though not directly related to the works, were indirectly incidental to those works and executed with the prior sanction of the Superintending Engineers.

<sup>17</sup> Executive Engineer, Public Works Division, Chiplun; Executive Engineer, Special Project (Public Works), Thane and Executive Engineer, Thane Construction Division, Thane under the Superintending Engineer, Thane (PW) Circle and Harbour Engineering Division North division, Konkan Bhavan, Navi Mumbai under Coastal Engineer, Mumbai.

<sup>18</sup> Construction of major bridge on coastal highway on Kelshi crack, Parchure Pharare creek bridge on Talvali Parchure road; Construction of approach road to Boardi-Dahanu-Thane road; Construction of bridge on Padgha Khadavali road; Construction of bridge on Khoni-Khadipar road; Construction of retaining wall at Batteribunder; Construction of Groyans type bund at Varsoli; Strengthening of sea wall at Nariman Point Part II&III etc.

The reply was not tenable as renovation and repair works of division offices cannot be considered as incidental to the various works undertaken by these divisions. The execution of these works, therefore, violated the provisions of the MPW Manual mentioned earlier, resulting in unauthorised expenditure of Rs 1.55 crore.

#### **4.4.3 Idle expenditure**

##### **Failure in monitoring and early completion of electrification work by the Executive Engineer resulted in idle expenditure of Rs 83.52 lakh.**

The Executive Engineer, Public Works Division (EE), Bhandara, awarded (September 1997) construction work of staff quarters to a contractor at 15.75 *per cent* above the estimated cost of Rs 63.44 lakh to be completed in 15 months. Due to non-availability of adequate funds, the work could commence only in October 1999 and therefore Superintending Engineer, Public Works Circle, Nagpur granted (September 2000) extension of time up to December 2001.

Scrutiny (March 2008) of the records of the EE, Bhandara revealed that the contractor completed (July 2001) the work (except for electrification, plumbing and sanitation) after incurring an expenditure of Rs 77.48 lakh. EE, Bhandara paid Rs 4.50 lakh to the Executive Engineer, Electrical Division (PW) (EE), Nagpur for internal electrification and Rs 1.54 lakh to the Maharashtra State Electricity Board for new connection charges in November 2003 and March 2004 respectively. However, the electrification work was not completed till March 2008. Thus, EE, Bhandara's failure to monitor timely completion of work resulted in idle expenditure of Rs 83.52 lakh besides loss to Government on account of house rent allowance and license fee.

The EE, Bhandara (March 2008) stated that the quarters remained unoccupied for want of electrification. Further, the EE, Nagpur contended (June 2008) that due to incomplete civil work, the work of electrification could not be taken up.

The reply of EE, Nagpur was not acceptable because the amount for electrification were paid in 2003-04 (November 2003/March 2004) and EE, Bhandara stated (May 2008) that the 99 *per cent* civil work was completed and for completion of electrical work EE, Nagpur has been reminded many times. Thus, lack of co-ordination between EE, Bhandara and EE, Nagpur and poor monitoring for completion of work resulted in idle expenditure of Rs 83.52 lakh.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).



#### 4.4.4 Idle investment on additional court building

**Commencement of the work of an additional court building without obtaining necessary approvals and lack of proper co-ordination between various agencies and departments of the Government resulted in idle investment of Rs 70.06 lakh and extra avoidable expenditure of Rs 59 lakh.**

The Superintending Engineer, Thane (Public Works) Circle accorded (April 2003) technical sanction to the work of construction of an additional court building in Dahanu in Thane District for Rs 1.24 crore to avoid inconvenience to the public as overdue cases of Dahanu were being handled at Palghar and other courts. The sanction stipulated that the necessary permissions from the local authorities should be obtained before commencement of the work.

Scrutiny (November 2007) of the records of the Executive Engineer, Special Project (PW) Division, Thane and information obtained upto February 2008 revealed that the drawings and plans of the building submitted (June 2002) by the Sub-Divisional Engineer, Special Project, (PW) Sub-Division, Jawahar, District Thane to the Dahanu Municipal Council (DMC), were approved in February 2008. As the height of the proposed three-storeyed building was 11.7 m and the roof was of flat slab, contrary to the provisions of the Draft Development Control Rules<sup>19</sup> (DDCRs), a proposal for relaxation was also submitted to the Assistant Director, Town Planning, Thane in May 2006. Approval for the same was received from the Government in September 2007. Before obtaining the necessary approvals, the EE awarded the work in February 2004 to a contractor for Rs 1.32 crore (at 6.09 *per cent* above the estimated cost of Rs 1.24 crore), with a stipulated period of completion of 30 months i.e., by August 2006. The contractor commenced the work in February 2004 and stopped (July 2004) the same after completion up to the plinth level as the overhead electric lines had not been shifted. The work was restarted (January 2006) after shifting the electric lines. In June 2007, the contractor was verbally asked to stop the work as the relaxation of DDCRs had not been received from the Government. Till then, an expenditure of Rs 70.06 lakh had been incurred on the work.

Due to frequent stoppages of the work, the contractor requested (July 2007) the Executive Engineer to relieve him from the same under clause 15 (2) of the agreement. This was approved by the Chief Engineer in October 2007. The balance work was technically sanctioned (October 2007) for Rs 1.19 crore and the work order was issued to another agency for Rs 1.13 crore in January 2008. All this resulted in rendering the expenditure of Rs 70.06 lakh incurred on it idle. Further, as per the work order for the balance work, there would be

<sup>19</sup> As per Rule 19 A (4) of the Draft Development Control Rules (DDCRs), the maximum height permissible for construction of a three-storeyed building in heavily populated areas was nine metres (m). Further, Rule 19 A (3) *ibid* stipulated that the construction should be consistent with the surrounding landscape and the local architectural style.

increase in expenditure of Rs 59 lakh due to time overrun, which could have been avoided.

Thus, commencement of the work without obtaining the mandatory approvals, delay in obtaining the approvals as well as delay in shifting the overhead electric lines resulted in idle investment of Rs 70.06 lakh and avoidable extra expenditure of Rs 59 lakh.

The Government stated (April 2008) that there was delay of two years on the part of Maharashtra State Electricity Board in shifting the electric lines and on the part of the Town Planning Department in granting relaxation in DDCRs. As such the Department was not responsible for the delay. Further, had the work been started after obtaining the approval the same should have been delayed and cost should have been increased.

The reply of Government showed lack of proper co-ordination between various agencies and departments of the Government, which resulted in idle investment of Rs 70.06 lakh and extra avoidable expenditure of Rs 59 lakh beside, delay in construction of the additional court building in Thane District at Dahanu.

#### **4.4.5 Unfruitful expenditure**

**Due to commencement of a work by the Executive Engineer, Public Works Division, Hingoli without receipt of funds from the concerned department, the work was left incomplete in November 2002 and the expenditure of Rs 37.74 lakh was rendered unfruitful.**

The work of construction of administrative building for office of Superintendent of Police (SP), Hingoli was administratively approved (July 2000) by Government in Home Department. Funds were to be provided by Revenue and Forest Department. The Executive Engineer, Public Works Division, Hingoli (EE) awarded (October 2001) the work to a contractor at 19.82 *per cent* below the estimated cost of Rs 1 crore for completion within 24 months. After incurring an expenditure of Rs 37.74 lakh, the contractor stopped the work (November 2002).

Scrutiny (February 2007) of records of EE revealed that he had issued the work order without any request for construction of the building or receipt of funds. The EE had incurred the expenditure by diverting the funds deposited by the Collector, Hingoli for construction of administrative building of the Collectorate. Thus, commencement of the work of construction of office building of SP without ensuring availability of funds resulted in unfruitful expenditure of Rs 37.74 lakh incurred on incomplete building work. Subsequent verification (May 2008) revealed that the work was withdrawn (October 2007) from the contractor under clause 15 (i) of the agreement.

The Chief Engineer, Public Works Department, Aurangabad accepted the facts and stated (July 2008) that an enquiry was being initiated against the concerned EE.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

### **Rural Development and Water Conservation Department**

#### **4.4.6 Unfruitful expenditure on construction of minor irrigation tank**

**The Kasola Minor Irrigation (MI) project was approved based on a wrong survey report. The MI tank was constructed by the Executive Engineer at a cost of Rs 1.66 crore, though it was known to him that construction of the proposed canal was not feasible due to odd topography of the site.**

Government accorded (January 2001) administrative approval (AA) to a project comprising earthen dam, waste weir and head regulator for Rs 1.80 crore (including Rs 42.47 lakh for canal) to provide irrigation in command area of 122 hectares which is 4.5 to 7 km away from Minor Irrigation (MI) tank. The head work portion of the MI tank on Kasola nalla was started in April 2002 and completed in March 2006 after incurring an expenditure of Rs 1.66 crore (September 2007). The gorge was filled by June 2006.

Scrutiny (July 2007) of records of Executive Engineer Minor Irrigation (Local Sector) Division (EE), Yavatmal revealed that the work of construction of the canal was not tendered, though AA included the same. The reasons for the same were not on record. It was also observed that the project report of Superintending Engineer, MI (LS) Circle, Amravati, which was based on the initial survey conducted by the EE, Yavatmal Irrigation Division, had recommended in 1982 a canal length of 8.16 km which was subsequently reduced to six km after detailed survey (2002-03). The EE intimated (December 2003) to the SE that the proposed canal was not technically and economically feasible on the ground that (a) it was a 'contour' canal and had 19 nallah crossings at different places (b) there was no command area in the initial reaches from chainage 0 meter to 990 meter and (c) the topography has 61 sharp apexes requiring excavation of 4 to 4.5 meter in raised portion and filling of 2 to 2.5 meter in troughs. Though the construction of canal was not feasible, the work of earthen dam, waste weir and head regulator continued and was completed in March 2006. As head work was completed without canal, no irrigation was possible in the intended command area. Thus, execution of work on the basis of an incorrect project report and faulty survey rendered the expenditure of Rs 1.66 crore on the project unfruitful. The EE carried out the gorge filling of the MI tank without taking up construction of

canal and distributaries which was in violation of the provisions of MI Manual.

The EE admitted (July 2007) that due to the odd topography of the site of canal irrigation was not possible and that the water released from the head regulator was used by farmers by constructing kachcha bandharas (November 2007).

The reply was not acceptable as the purpose of providing irrigation to the intended command area of 122 hectares cannot be achieved.

The matter was reported to the Secretary to the Government in March 2008. Reply had not been received (August 2008).

### **Departments of Rural Development & Water Conservation and Water Resources**

#### **4.4.7 Idle investment on minor irrigation and storage tanks**

#### **Failure of the Irrigation Department to acquire land for the canal of a Minor Irrigation tank as well as for a storage tank resulted in idle investment of Rs 1.49 crore.**

As per para 251 of the Maharashtra Public Works Manual, work should not be commenced without acquiring the entire land required for it. It was, however, observed that in two cases the Rural Development & Water Conservation and Water Resources Departments failed to acquire the entire land which resulted in an idle investment of Rs 1.49 crore. The details are given below:

(i) Scrutiny (March 2007) of the records of the Executive Engineer, Minor Irrigation (Local Sector) Division, Jalgaon (EE) revealed that the construction of a Minor Irrigation (MI) tank with an irrigation potential of 108 hectares was completed in May 2003 at a cost of Rs 1.03 crore. However, the same was not put to use, as construction of the canal could not commence, as the landowners refused to part with their land. A proposal for acquisition of land for the canal was submitted to the Collector, Jalgaon only in February 2008. Thus, non-acquisition of land for the canal resulted in idle investment of Rs 1.03 crore incurred on construction of the MI tank for the last five years and the objective of creating irrigation facilities remained unachieved.

The EE stated (March 2007) that special efforts for acquisition of land for the canal were being made and that the MI tank was giving indirect benefits by way of percolation and recharging of wells in the periphery.

The reply was not tenable as the MI tank was being constructed to create irrigation potential of 108 hectares and not for percolation and recharging of wells.

(ii) Scrutiny (April 2007) of the records of the Executive Engineer, Thane Minor Irrigation Division, Kalwa, Thane (EE) revealed that without acquiring

the entire land required for its construction, the work of a proposed storage tank at Kachurly, Taluka Trimbakeshwar, District Nashik to irrigate 255 hectares of land and provide drinking water to two Adivasi villages (Kachurly and Ambai) was awarded (October 2005) to a contractor for Rs 3.01 crore, with a stipulated period of 24 months for completion. However, due to objections from the landholders, the work which commenced in October 2005 was stopped by the contractor in April 2006. An expenditure of Rs 45.74 lakh had been incurred (March 2006) on the work.

Thus, the issue of a work order without acquiring the entire land required for the work resulted in idle investment of Rs 45.74 lakh for the last two years. Besides, the villagers were deprived of the benefit of irrigation and drinking water facilities.

The EE stated (March 2008) that the work order had been issued as part land had been acquired through private negotiations. The land acquisition process was now under final stage and work would start in due course.

The reply was not tenable as the work order was issued without acquiring the entire land required for the work, contrary to the provisions of para 251 of the Maharashtra Public Works Manual.

The matters were reported to the concerned Principal Secretaries to the Government in June 2008. Replies had not been received (August 2008).

## School Education Department

### 4.4.8 Unfruitful expenditure

**Expenditure of Rs 2.52 crore incurred on the Continuous Education Centres was rendered unfruitful as the centres stopped functioning for want of funds.**

The project proposal of Continuous Education in Aurangabad District with the objectives to provide literacy skill and continuous education to school drop outs, pass-outs of primary schools, pass-outs of non-formal education and all those interested in lifelong learning, submitted (March 2002) by Zilla Saksharta Samiti, Aurangabad (ZSS) was approved (July 2003) by Government of India (GOI). As per the guidelines of programme (May 1997) expenditure for first three years was to be borne by Central Government; for next two years 50:50 by Central and State Governments and thereafter by State Government alone. Under the programme, Continuous Education Centres (Centres) was to be set up at village level with full infrastructure and Prerak<sup>20</sup> was to be appointed for running the centre. Government of India released (October 2004) first installment of the grant of Rs 2.67 crore to Maharashtra Rajya Saksharta Parishad (MRSP) Pune, out of which Rs 2.65

<sup>20</sup> A graduate or a well qualified person who agrees to give his voluntary services and is chosen as "Prerak".

crore was transferred (July 2005) to ZSS, Aurangabad for implementation of programme by setting up 684 centres.

Scrutiny (April 2008) of records of Education Officer (Continuous Education), Aurangabad (EO) revealed that the EO set up 515 centres in February 2006, 121 centres in April 2006 and 33 centres in November 2006 and provided material/articles to these centres. For running these centres, Prerak was appointed in each centre in terms of guidelines. The expenditure of Rs 2.52 crore was incurred (March 2008) by EO on creation of infrastructure and on payment of honorarium to Prerak. However, the centres could not run beyond the period of six months as only 50 *per cent* recurring grant for the payment of honorarium to Prerak for first year was received and no grants from GOI was released for subsequent period due to poor progress of expenditure; the reasons thereof called for (July 2008) have not been received. Thus, discontinuation of the centres and non-utilisation of assets created for it resulted in unfruitful expenditure of Rs 2.52 crore besides deprival of benefit of literacy skill to the rural population.

The EO accepted (April 2008) the facts and stated that due to non-incurring of 75 *per cent* expenditure from available grants within one year, balance 50 *per cent* grant for first year was not received from GOI and as such the centres stopped functioning after six months from its starting.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

## **Tribal Development Department**

### **4.4.9 Blocking of Government money**

**Non-issue of the detailed norms and plan for implementation of the Gharkul Yojana resulted in blocking of Rs 4.45 crore, besides deprival of intended benefits to the tribals.**

Government implemented (March 2004) the scheme 'Gharkul Yojana for scheduled and aadim tribes' to enhance the living standard of the scheduled tribes on the lines of the Centrally sponsored scheme Indira Awas Yojana implemented by District Rural Development Agency in which, cost norm of Rs 30,000 for each gharkul was prescribed. Government increased (June 2006) the cost norm of each gharkul to Rs 60,000 and instructed that expenditure would be made only after the issue of detailed norms and plan of the scheme. However, the Tribal Development Department of Government did not issue the detailed norms and plan of the scheme till date of audit.

Scrutiny (March-April 2008) of records of Project Officer (POs), Integrated Tribal Development Project, Aheri (District Gadchiroli), Jawahar (District Thane), Nandurbar and Taloda (District Nandurbar) and Yawal (District Jalgaon) revealed that the POs have received an amount of Rs 4.45 crore in March 2007 for construction of 568 gharkuls. As the cost of the gharkul was

revised from Rs 30,000 to Rs 60,000 and the detailed norms and plan for implementation of the scheme were not received from Government, the amount of Rs 4.45 crore remained unutilised with the POs. Thus, non-issue of norms and plan for implementation of the scheme by Government resulted in blocking of Rs 4.45 crore besides deprivation of benefit of gharkuls to the tribals for more than one year.

The POs stated (March/April 2008) that on receipt of norms and plan for implementation of the scheme the funds would be utilised.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

## Water Resources Department

### 4.4.10 Idle investment on equipment

#### **Improper planning in execution of work resulted in idle investment of Rs 50.41 lakh on equipment.**

The Water Resources Department of the Government accorded (January 2004) a revised administrative approval (original administrative approval accorded in January 1974) to the Surya Irrigation Project for Rs 379.26 crore. The project was partially completed and water was being supplied for irrigation, industrial and drinking purposes. The project included two works. Work-1 included the work of conversion of the existing manually operated gates of Surya Left bank Canal (SLBC) to an electrically operated system of cross regulator (CR) gates. Work-2 consisted of computerised remote controlled operation of canal CR gates of SLBC, including monitoring of status from Suryanagar main colony. These gates would be operated from the canal control room located at Suryanagar colony. The works were undertaken to have optimum utilisation of water for irrigation as well as for power generation and to exercise control on the water distribution system from one point.

Scrutiny (April 2007) of records of Executive Engineer, Surya Canal Division No 1, Suryanagar (EE) revealed that Work-1, estimated to cost Rs 45.55 lakh and Work-2, estimated to cost Rs 59.95 lakh, were awarded (August 2004) to a contractor with a stipulated period of completion of 18 months. The contractor was paid (March 2005) Rs 22.47 lakh for Work-1 and Rs 27.94 lakh for Work-2, towards supply of equipment such as ultrasonic canal level sensors, data acquisition and storage units, solar power panel with maintenance-free batteries, variable high frequency radio, modems etc. However, as gauge wells and flow measuring structures which were to be executed by the Department were not constructed at the flow measuring points, the equipments could not be installed (May 2008), resulting in idle investment of Rs 50.41 lakh for over three years. Further, the warranty period in respect of the equipments supplied, which was one year from the date of supply, had also expired.

The EE stated (May 2008) that the work of construction of gauge wells and flow measuring structures was in progress and was likely to be completed by December 2008.

The reply was not tenable because since the Department was aware that gauge wells and flow measuring structures were required to be constructed at the flow measuring points, the same should have been taken up before awarding both Work-1 and Work-2. Award of the work of the computerised remote controlled operation system before completion of the works of gauge wells and flow measuring structures indicated improper planning in execution of the work, resulting in idle investment of Rs 50.41 lakh. Besides, the objectives of optimum utilisation of water for irrigation, power generation and exercising control on the water distribution system could not be achieved in time.

The matter was reported to the Principal Secretary to the Government in June 2008. Reply had not been received (August 2008).

## **Water Supply and Sanitation Department**

### **4.4.11 Blocking of Government money**

**Due to poor planning for procurement of advance high speed drilling rigs, funds of Rs 4.40 crore remained unutilised in savings bank account for more than three years.**

With a view to improve the performance of drilling rigs and to reduce operational cost, Director, Ground Water Survey and Development Agency (GSDA), Pune submitted a proposal (May 2004) to Government for purchase of 12 advanced high speed drilling rigs as replacement to 15 outdated rigs which had outlived their utility. Government sanctioned (March 2005) Rs 4.40 crore for purchase of 12 new drilling rigs. The amount was kept (March 2005) in the savings bank account of GSDA.

Scrutiny of records (July 2007) disclosed that the Director, GSDA, Pune submitted (December 2005) a proposal to the Government for cancellation of purchase of rigs stating that instead of purchasing new drilling rigs, service delivery of existing bore wells and hand pump installed on it was financially affordable and sustainable as ample water was available in most of the existing bore wells and demands of new bore wells would be raised only during scarcity season. The GSDA again submitted a proposal (January 2008) for purchase of new rigs which was approved by Government (February 2008). However, no action either to purchase the new rigs or for increasing service delivery of existing bore wells and hand pump was taken (May 2008). Thus, due to poor planning, funds received for purchase of new drilling rigs remained unutilised for last three years, resulting in blocking of funds of Rs 4.40 crore.



The Joint Director, GSDA stated (May 2008) that after receipt of approval to purchase drillings rigs in March 2005, several meetings were held for procurement but no final decision could be taken. Government finally approved the proposal (February 2008) and action would be initiated to purchase the rigs accordingly.

It is evident from the reply that lack of planning and decision making led to blocking of funds of Rs 4.40 crores for a period over three years.

The matter was referred to the Secretary to the Government in May 2008. Reply had not been received (August 2008).

**4.4.12 Blocking of funds on incomplete water supply schemes**

**Failure of Maharashtra Jeevan Pradhikaran to obtain forest clearance for commencement of non-forest works on forest land and subsequent stoppage of works resulted in blockage of funds amounting to Rs 8.81 crore.**

The Forest (Conservation) Act, 1980 provides that prior approval of the Government of India (GOI) should be taken for use of forest land for non-forest purposes. GOI further clarified (March 1982) that diversion of forest land for non-forestry activities in anticipation of approval was not permitted and no requests for ex-post facto approval would be entertained.

Scrutiny (August 2007) of records of the Executive Engineer (EE), Maharashtra Jeevan Pradhikaran (MJP), Chandrapur and the EE, MJP Works Division, Ahmednagar together with additional information collected revealed that Rs 8.81 crore was blocked on four water supply schemes which were taken up on forest land without prior approval from GOI and stopped subsequently by the Forest Department as follows:

| Name of the Scheme/<br>District  | Date of award of work/<br>period of completion | Stipulated cost/Actual cost of completion | Work position   | Remarks  |
|--|--|---|---|--|
| (1)  | (2)  | (3)                                       | (4)   | (5)  |
| Potgaon Regional Rural Water Supply Scheme (RRWSS) District Gadchiroli | June 1999 (27 months)                          | Rs 1.79 crore/<br>Rs 1.48 crore           | The work was stopped in November 2004 due to objections from Forest Department as the work had been taken up on forest land without permission. | Executive Engineer stated (February 2008) that the Department was not aware that the work had been taken up on forest land. A revised proposal for permission submitted (May 2005) to GOI was granted in August 2007. Final clearance is awaited (June, 2008) from the Forest Department. Thus, expenditure of Rs 1.48 crore incurred on the scheme was blocked since November 2004. |

| (1)  | (2)                       | (3)                             | (4)  | (5)  |
|--|---------------------------|---------------------------------|--|--|
| Bori Lagam (RRWSS), District Gadchiroli                  | June 1999<br>(24 months)  | Rs 1.58 crore/<br>Rs 1.97 crore | The work was stopped (August 2003) as some portion of area earmarked for laying a pipeline fell under the jurisdiction of a wild life sanctuary.             | A revised proposal for laying the pipeline avoiding the area falling under the sanctuary submitted in September 2004 is awaiting clearance (June 2008). The expenditure of Rs 1.97 crore incurred on the scheme was blocked since August 2003. |
| RRWSS for Bhalwani and 13 villages District: Ahmed-nagar | Jan 1999<br>(30 months)   | Rs 8.4 crore/<br>Rs 3.53 crore  | The work was stopped (February 2001) for want of permission from the Forest Department as the pipeline was to pass through forest land.                      | Expenditure of Rs 3.53 crore incurred on the scheme was blocked since February 2001.   |
| RRWSS for Wasunda and 3 villages District: Ahmed-nagar   | April 1999<br>(20 months) | Rs 4.86 crore/<br>Rs 1.83 crore | Since the Head works, Raw water Rising main and water treatment plan were common for this work and Bhalwani RRWSS, this work was also stopped in March 2001. | Expenditure of Rs 1.83 crore incurred on the scheme was blocked since March 2001.  |

In reply, Government stated (June 2008) that the work of Potgaon and Bori Lagam RRWSS would be commissioned within two months of getting the permission from the Forest Department.

The reply was not tenable because though the works of Potgaon and Bori Lagam RRWSS was stopped in November 2004 and August 2003 respectively, the work has not yet been commenced even after a lapse of about five years and the possibility of deterioration of the works which has been completed five years back could also not be ruled out. The replies in respect of the other two Schemes are awaited (August 2008).

Thus, failure to ascertain the status of land before undertaking the works as well as to obtain prior permission from GOI for use of forest land for non-forestry works and inordinate delay in obtaining the clearance resulted in blocking of funds of Rs 8.81 crore incurred on the above mentioned water supply schemes and non-achievement of the objective of supplying drinking water to the beneficiaries.

**4.4.13 Idle investment on a water supply scheme**

**Failure of Maharashtra Jeevan Pradhikaran to convince the Zilla Parishad, Yavatmal to take over a water supply scheme for operation and maintenance and following their refusal, to operate and maintain it as per Government instructions resulted in idle investment of Rs 1.13 crore.**

Maharashtra Jeevan Pradhikaran (MJP) was established (January 1997) by the Government for planning and executing water supply schemes on behalf of Municipal Corporations/Councils and Zilla Parshads/Gram Panchayats with Government grants, loans raised by MJP on behalf of these bodies and popular contributions from them. On their completion, the schemes were to be handed over to the concerned bodies for their operation and maintenance. As per instructions issued (December 1997) by the Water Supply and Sanitation Department of the Government, before taking up any schemes, MJP was required to obtain resolutions from the concerned bodies, stating that they would take over the scheme for operation and maintenance. Further, as per instructions issued by the Government in August 2005, in case the completed water supply schemes were not taken over by the concerned bodies, the same had to be operated and maintained by MJP.

Scrutiny (March 2007) of the records of the Executive Engineer, MJP Works Division Yavatmal (EE) revealed that the 'Sawarkheda and two villages Regional Rural Water Supply Scheme', Taluka Ralegaon, District Yavatmal was completed at a cost of Rs 1.13 crore and commissioned on 22 March 2004. A trial run of the scheme was conducted for three months up to 30 June 2004.

Though a resolution had been obtained (December 2003) from the Zilla Parishad, Yavatmal before the project was taken up, the ZP expressed (February 2006) unwillingness to take over the scheme, because they were not ready to pay the electricity bills for the scheme. MJP also did not operate and maintain the scheme for want of funds from the Government resulting in idling of the project costing Rs 1.13 crore since July 2004.

The EE confirmed (November 2007) the above facts.

Thus, although Government had authorised MJP to maintain and operate the schemes not taken over by the local bodies by collecting water charges from the consumers till the scheme is officially taken over, failure of MJP to take over the water supply scheme resulted in rendering the investment of Rs 1.13 crore idle besides depriving the villagers of the benefits of the scheme. The possibility of rendering the entire expenditure wasteful, due to deterioration of the pumping machinery, water treatment plant, pipelines, etc., of the scheme on account of passage of time also could not be ruled out.

The matter was referred to the Secretary of the Government in May 2008. Reply had not been received (August 2008).

#### **4.5 Regulatory issues and other points of interest**

##### **Planning Department**

#### **4.5.1 Execution of inadmissible works**

**Inadmissible works costing Rs 78.22 lakh were executed under the Hilly Area Development Programme.**

The Hilly Area Development Programme (HADP) has a set of prescribed guidelines framed on the recommendations of the Cabinet Sub-committee appointed by the Government in 1988 to suggest special programme for development of hilly area. Accordingly, the Government declared (April 1991) 95 talukas in 19 districts as hilly areas. The works to be undertaken under the scheme were to be from the list of admissible works indicated in Government Resolution of January 1994. The Collector, being the controlling authority, was to accord administrative approval to the plans and estimates and was to ensure that the works sanctioned for execution were admissible ones.

Scrutiny (February 2006 and December 2007) of the records of District Planning Officers, Kolhapur, Nashik, Raigad, Sangli and Thane revealed that administrative approvals had been accorded between 2002-03 to 2006-07 to 28 works of road concretisation totalling Rs 73.03 lakh and three works of gymnasia totalling Rs 5.19 lakh which were not admissible as per the list. All these works had been completed except for the work of construction of a cement road at Igatpuri, Nashik on which an expenditure of Rs 3.17 lakh was incurred.

District Planning Officers stated (February 2006 and December 2007) that the works had been taken up on the recommendations of the local Members of the Legislative Assembly in these places.

On being pointed out in audit, the Deputy Secretary to the Government stated (March 2008) that instructions had been issued (February 2008) to all the Collectors not to sanction works which were not as per approved list.

##### **Departments of Public Works and Water Resources**

#### **4.5.2 Irregular allotment of works**

**Various components of the original works costing Rs 9.32 crore were allotted to contractors as additional items or extra items without inviting tenders, in violation of manual provisions.**

As per the provisions contained in Para 200 of the Maharashtra Public Works (MPW) Manual, tenders are to be invariably invited publicly for awarding any work. However, when calling for tenders through advertisements is not

possible due to urgency, competitive tenders from several capable contractors should be invited under the orders of the Superintending Engineer.

Scrutiny (April 2007 - January 2008) of the records of the following two divisions showed that some components of works costing Rs 9.32 crore were allotted to the contractors as additional works or extra items without inviting tenders in violation of the manual provisions. As a result, the Department was also deprived of the benefit of getting competitive bids.

| Name of the original work  | Audit observations  |
|--|---|
| <p>Strengthening the overflow section of Dolvahal weir including glacis concrete, under the Executive Engineer (EE), Raigad Irrigation Division, Kolad</p> <p>(Estimated cost: Rs 1.22 crore, work order: February 2005, period of completion: 12 months, extension: upto June 2008)</p> | <p>The work of strengthening the overflow section of Dolvahal weir including glacis concrete and three works<sup>21</sup> of Energy Dissipation Arrangement (EDA) of Dolvahal weir were awarded for Rs 3.91 crore between March and May 2005 as additional works to the same contractor under clause 14<sup>22</sup> of the original agreement without inviting tenders.</p> <p>The contractor was paid (November 2007) Rs 64.40 lakh, Rs 1.28 crore and Rs 34.34 lakh respectively for the additional works. Since the works had not cropped up due to any alterations in or additions to the original specifications, drawings and designs, they were not covered by clause 14.</p> <p>The EE stated (January 2008) that after awarding of the glacis concrete work, only four months were available before the monsoon and if the tender procedure was to be followed, three months would have been required. The work of glacis concrete and the EDA works needed to be carried out simultaneously for co-ordination of the works and the contractor was willing to execute the works at the estimated rates.</p> <p>The reply was not tenable as in order to ensure co-ordination of both the works, tenders for the both the works should have been called for simultaneously. Alternately, a composite tender for both the works should have been called for, which would have generated more competitive bids.</p> <p>The matter was referred to the Secretary of the Water Resources Department in June 2008. Reply had not been received (August 2008).</p> |

<sup>21</sup> i) between ch road distance (RD) 300.83 to 340.80 m (estimated cost: Rs 52.35 lakh), ii) between ch RD 240.83 to 300.83 m (estimated cost: Rs 1.66 crore) and iii) between ch RD 176.83 and 240.83 m (estimated cost: Rs 1.73 crore)

<sup>22</sup> As per Clause 14 the Engineer-in-charge shall have the power to make any alterations in or additions to the original specifications, drawings, designs and instructions that may appear to be necessary or advisable during the progress of the work, and the contractor shall be bound to carry out the work in accordance with any instructions in this connection which may be given in writing signed by the Engineer-in-charge and such alteration shall not invalidate the contract and any additional work which the contractor may be directed to do in the manner specified as part of the work shall be carried out by the contractor on the same conditions in all respect on which he agreed to do the main work and if the additional and altered work includes any class of work for which no rate is specified in this contract, then such class of work shall be carried out in the Schedule of Rates of the Division or the rates mutually agreed upon between Engineer-in-charge and the contractor whichever is lower.

| <b>Name of the original work</b>  | <b>Audit observations</b>  |
|---|--|
| <p>Work of providing furniture cabins, renovation of windows and flooring from the fourth to the ninth floor under the Executive Engineer, Central Mumbai Public Works Division, Worli, Mumbai (Estimated cost: Rs 7.89 crore, work order: March 2004, period of completion: 9 months, extension: up to March 2008)</p> | <p>The work of modular flexible furniture for the first, second and tenth floors of the Sales Tax building, Mumbai was awarded (February 2007) to the same agency under the extra item rate list (EIRL), duly sanctioned by the Superintending Engineer for Rs 5.31 crore citing urgency of work. The contractor was paid (October 2007) Rs 1.75 crore for this work and the work was yet to be completed (July 2008). As the work was outside the scope of the tender, awarding the same under EIRL without inviting tenders was in violation of the manual provision.</p> <p>The Secretary to the Government stated (July 2008) that the modular flexible furniture work was executed as per a decision taken in a meeting held with Minister (Finance) in July 2006. Further, due to urgency, in order to avoid the time required for the tendering procedure, the work was executed under EIRL with the sanction of the Superintending Engineer. He further stated that the works could not be completed as the user department i. e., Sales Tax Office failed to hand over vacant site.</p> <p>The non-handing over the site by the user department itself indicates that there was no urgency. As such independent tenders should have been called for. Thus, the award of the work without inviting tenders in violation of the manual provision was irregular.</p> |

## **School Education and Sports Department**

### **4.5.3 Irregular grant of financial assistance to private organisation**

#### **Government gave irregular financial assistance of Rs 2 crore to a private organisation in contravention of their guidelines.**

As per guidelines issued (July 1997) by the Government for grant of financial assistance to registered institutions and organisations working for development and promotion of sports, financial assistance of Rs 2 lakh or 50 *per cent* of the actual expenditure, whichever was less, was payable for organising sports competitions, in respect of sports recognised by the Maharashtra State Sports Committee, at national and international levels. Further, as per these guidelines, financial assistance was admissible only to those institutions which were registered under the Societies Registration Act, 1860 or the Mumbai Public Trust Act, 1950.

Scrutiny (January 2008) of the records of the School Education and Sports Department in Mantralaya revealed that Globosport India Private Limited, (company) requested (May 2006) the Chief Minister to grant them financial assistance of Rs 2 crore each year between 2006-2010 for holding ATP<sup>23</sup>

<sup>23</sup> Associated Tennis Professional

Tennis Tournaments in Mumbai. The Chief Minister approved (June 2007) grant of Rs 2 crore to the company as a one time payment in contravention of the above guidelines. The Director of Sports and Youth Services, Pune drew the amount and paid (September 2007) by drawing an advance from the Contingency Fund, for conducting a tennis tournament at Mumbai from 24 to 30 September 2007. The first such tournament held in September-October 2006 was conducted by the organisers through sponsors. The company got the funds audited and submitted (April 2008) the audited statement of accounts only after being pointed out in audit.

When pointed out in audit about the irregular grant of financial assistance, the Government stated (June 2008) that the grants were paid to Globosport to give a boost to tennis sport being the biggest non-cricket sporting event.

The reply was not tenable as the guidelines issued for development of sports, does not have any such provision. Grant of assistance of Rs 2 crore to a private company, for conducting a tournament not organised by the All India Tennis Association or Maharashtra State Tennis Association in contravention of the laid down guidelines, was thus irregular.

## Water Resources Department

### 4.5.4 Irregular payment to the contractor

**The award of new work under clause 14 of the agreement of an old work without tendering and payment of escalation of Rs 1.09 crore on it as per the old agreement was irregular.**

The work of construction of civil works from the lake intake to the emergency valve tunnel of the Koyna Hydro-Electric Project Stage IV (KHEP-IV), awarded (March 1992) to a contractor, was completed in October 1999, for which the Chief Engineer (CE), Koyna Project issued a completion certification in November 2000. The contract contained a provision for payment of price escalation on extra items.

Scrutiny (June 2007) of the records of the Executive Engineer, Koyna construction Division No 1, Koyna nagar revealed that in order to have optimum utilisation of Koyna storage, the Irrigation Department approved (February 2000) the work of extension of the head raise tunnel of KHEP-IV further upstream, thereby making an additional 15.28 TMC of water available for eastward irrigation without effecting generation of KHEP-IV.

The preliminary works of this new work estimated at Rs 20 crore, was awarded (October 2000) to the above mentioned contractor under the extra item rate list (EIRL) of the original work, without inviting tenders as required on the plea that the contractor was experienced in such type of works and tendering procedure should have taken up couple of years. The contractor completed the preliminary works in February 2005 and was paid (May 2007) Rs 25.41 crore, which included escalation of Rs 1.09 crore, as per the price

escalation clause of the agreement for the original work already completed in October 1999.

Since this was a new work, the award of the same under clause 14 and payment of escalation of Rs 1.09 crore as per the agreement of old work, was irregular.

The matter was referred to the Secretary to the Government in June 2008. Reply had not been received (August 2008).

## **General**

## **Finance Department**

### **4.5.5 Functioning of Treasuries**

The major irregularities noticed during inspection of 33 treasuries by the Accountants General (Accounts and Entitlement) Mumbai and Nagpur during 2007-08 are brought out in the following paragraphs:

#### **Overpayment of pension**

Overpayment of pensionary benefits of Rs 66.88 lakh was made during 2007-08 on account of incorrect calculation of dearness relief, non-adjustment of provisional Death cum Retirement Gratuity, non reduction of pension due to payment of commuted value of pension, non-reduction of family pension from the specific dates mentioned in the pension payment orders etc.

#### **Time barred cheques**

It was noticed that 33 time barred cheques amounting to Rs 121.95 crore (each cheque of Rs 2 lakh or above) were pending for adjustment for the year 2006-07 under MH 8670 Treasury cheques and Bills 101-Pre Audit cheques.

### **4.5.6 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 2007, pertaining to departments, disclosed that 23869 paragraphs relating to 8913 IRs were outstanding at the end of June 2008. Year-wise position of the outstanding IRs and paragraphs are detailed in the **Appendix 4.1**.

#### **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 2007-08, 11<sup>24</sup> out of the 26 departments convened 27 Audit Committee meetings wherein 2,774 paras were discussed and 1,411 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 time bound 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. There were 201 paragraphs and reviews upto the year 2006-07 for which EMs have not yet been received. The position of outstanding EMs from 2000-01 to 2006-07 was as follows:

| <b>Audit Report</b> | <b>Date of tabling the Report</b> | <b>Number of Paragraphs and Reviews</b> | <b>Number of EMs received</b> | <b>Balance</b> |
|---------------------|-----------------------------------|---|-------------------------------|----------------|
| 2000-01             | 29 April 2002                     | 43                                      | 39                            | 4              |
| 2001-02             | 22 July 2003                      | 51                                      | 42                            | 9              |
| 2002-03             | 8 July 2004                       | 48                                      | 31                            | 17             |
| 2003-04             | 21 July 2005                      | 48                                      | 30                            | 18             |
| 2004-05             | 18 April 2006                     | 39                                      | 21                            | 18             |
| 2005-06             | 17 April 2007                     | 38                                      | 20                            | 18             |
| 2006-07             | 25 April 2008                     | 46                                      | 10                            | 36             |
| <b>Total</b>        |                                   | <b>313</b>                              | <b>193</b>                    | <b>120</b>     |

<sup>24</sup> Agriculture, Animal Husbandry Dairy Development and Fisheries, General Administration, Higher and Technical Education, Industry, Energy and Labour, Law and Judiciary, Public Health, Public Works, Revenue and Forest, , School Education and Sports, Water Resources and Water Supply and Sanitation

In addition to the above, EMs in respect of 81 paras relating to the period prior to 2000-01 were also outstanding. Department-wise details are given in **Appendix 4.2**.

**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 Audit Report | 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            |
| 2006-07            | 46  | --              | 46            | --                              | 46            |
| <b>Total</b>       | <b>1277</b>                               | <b>168</b>      | <b>1109</b>   | <b>112</b>                      | <b>1103</b>   |

The aforesaid points were reported to the Chief Secretary to the Government in September 2008. Reply had not been received (October 2008).