CHAPTER V

CO-OPERATION AND TEXTILES DEPARTMENT

5.1 Financial Assistance to co-operative spinning mills

5.1.1 Highlights

Government extends financial assistance to the Co-operative Spinning Mills for erection, rehabilitation, modernisation and expansion of the mills. The assistance is given in the form of share capital contribution, loans, subsidy and guarantee for repayment of loans availed by the mills from financial institutions. A review of the Government assistance to the mills disclosed serious deficiency in the system as public funds were used mostly to finance the loss of the co-operatives.

During 1961-2001, Government released funds to the tune of Rs 752.44 crore to 116 mills on extraneous considerations and in disregard of the advice of the Planning and Finance departments.

(Paragraphs 5.1.6 and 5.1.7.2)

Of the mills who received Government funds, 12 mills with Government investment of Rs 128.40 crore have been closed, 15 mills with Government investment of Rs 68.13 crore are under liquidation and 39 mills have suffered accumulated loss of Rs 381.67 crore. Government investment in these mills has thus become dead investment.

(Paragraph 5.1.6)

Department failed to take penal action against the mills despite misutilisation of financial assistance of Rs 5.50 crore.

(Paragraph 5.1.7.5)

Thirty three mills did not create the share capital redemption fund and no dividend on the cumulative investment was declared by any of the mills during 1992-2000.

(Paragraphs 5.1 7.6 and 5.1.7.7)

Due to incompleteness and non-maintenance of records, the department did not know the exact amount of share capital, loan and subsidy released to the mills and the amount due to be recovered from the mills.

(Paragraph 5.1.9)

There was no proper procedure in place to monitor progress of the mills and evaluate their activities.

(Paragraph 5.1.11.2)

5.1.2 Introduction

State Government has been assisting the Co-operative Spinning Mills (mills) with the objectives of (i) developing agro-based industries in rural sector, (ii) converting agricultural material into industrially saleable finished goods so as to fetch remunerative price for the agricultural produce, (iii) improving the financial status of the rural agriculturist and (iv) fulfilling the supply of hank yarn to the weavers at reasonable price. To achieve these objectives, the Government extends financial assistance to the Co-operative Spinning Mills for erection, rehabilitation, modernisation and expansion of the mills. The assistance is given in the form of share capital contribution, loans, subsidy and guarantee for repayment of loans availed by the mills from financial institutions.

5.1.3 Organisational set up

The Principal Secretary, Co-operation and Textiles Department is overall in-charge to oversee the activities of the Co-operative Spinning Mills. The Director of Handlooms, Powerlooms and Textiles (Director, HPT), Nagpur and four Regional Deputy Directors (RDDs) located in Mumbai, Aurangabad, Nagpur and Solapur execute the Government policies and monitor the activities of the mills.

5.1.4 Scope of Audit

Records covering the period 1996-2001 of the Co-operation and Textiles Department in Mantralaya, Director, Handlooms, Powerlooms and Textiles, Nagpur, four Regional Deputy Directors and ten mills were reviewed between February and April 2001 to assess the adequacy and effectiveness of the mechanism to monitor the release, utilisation and recovery of the financial assistance given by the Government to the Co-operative Spinning Mills. The audit findings are discussed in the succeeding paragraphs.

5.1.5 Financial assistance

The department did not maintain complete details of financial assistance released to the mills due to deficient and poor maintenance of the records as discussed in paragraph 5.1.9. The budget provision and amounts released by Government to the Co-operative Spinning Mills during 1996-2001 as compiled by Audit is as follows:

(Rupees in crore)

Year/source	Share capital		Govt. loans		Subsidy	
	Provision	Expenditure	Provision	Expenditure	Provision	Expen-diture
1996-97 State NCDC*	 66.58 10.00	 66.58 0.46	 5.07	 3.60	 0.21	 0.21
1997-98 State NCDC	 21.89 10.00	 27.31 Nil	 0.11	 0.55	 0.52	 0.40
1998-99 State NCDC	 13.64 5.00	 14.19 4.00	 63.00	 58.00	 0.40	 0.63
1999-2000 State NCDC	 35.75 10.00	 33.19 4.25	 35.37	 16.40	 1.88	 1.14
2000-2001 State NCDC SCP**,SWD	 28.92 176.60 41.00	 28.91 15.16 41.00	 18.92	 25.92	 0.52	 0.39
Total	**419.38**	**235.05**	**122.47**	**104.47**	**3.53**	**2.77**

Short release of financial assistance to the spinning mills

The release of fund for Government contribution to the share capital of the Co-operative Spinning Mills was far below the provision made. As against a provision of Rs 211.60 crore earmarked for assistance through the National Co-operative Development Corporation (NCDC) during 1996-2001, the State Government released an amount of Rs 23.87 crore only as the NCDC did not approve the projects submitted by the mills.

5.1.6 Investment in the co-operative spinning mills

Due to poor maintenance of records, the department did not know the exact and up-to-date amount of share capital, loan and subsidy given to the mills. Therefore, Audit had to collect such information from various collateral sources like the budget estimates, sanction orders, balance sheet of the spinning mills etc. There were 255 spinning mills registered under the Maharashtra Co-operative Societies Act, 1960 during 1961 to 2001. Government had given financial assistance in the form of share capital contribution, loan and subsidy amounting to Rs 752.44 crore (as compiled by Audit) to 116 mills as follows:

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* National Co-operative Development Corporation

** Special Component Plan of the Social Welfare Department

(Rupees in crore)

Sr. No.	Present position of the mills.	No. of mills	Share capital	Loan	Subsidy	Total financial assistance
1	Not commissioned	46	262.32	--	1.25	263.57
2	Closed within 06 to 72 months of commissioning.	12	53.04	74.86	0.50	128.40
3	Under liquidation	15	14.79	53.34	--	68.13
4	Functioning	43	291.22	--	1.12	292.34
	Total	**116**	**621.37**	**128.20**	**2.87**	**752.44**

Many of the mills have either closed or gone into liquidation and Government investment have become a dead loss

Out of the total 43 mills functioning at present (March 2001), 39 mills have already suffered accumulated loss of Rs 381.67 crore as of March 1999 and hence the scope for any return on the Government investment of Rs 292.34 crore in these mills is remote. Further, 12 mills which received a total assistance of Rs 128.40 crore were closed between December 1995 and September 2000. They had an accumulated loss of Rs 153.90 crore by March 1999. Hence the Government investment in these closed mills was a dead loss.

The Director, HPT attributed various reasons for the failure and poor performance of the mills. These were non-availability of adequate technical guidance, lack of maintenance and non-replacement of worn out critical machinery, financial indiscipline in managing the affairs of the mills, inordinate delay in availability of funds leading to increase in project cost and delayed production, increase in use of synthetic yarn and absence of due price for cotton yarn produced by the mills. However, there was no explanation why all these factors were not considered while making huge investment in the mills. Evidently, large-scale accumulated losses and lack of financial viability of the mills were ignored by the Government while sanctioning and releasing the financial assistance to the mills. As a result large amounts of public funds were put at the risk of non-recovery and loss.

5.1.7 Share capital contribution

5.1.7.1 Erosion of the decision making body

Prior to 1995, the Co-operation and Textiles Department decided the investment proposals by obtaining approval of the Chief Minister without consulting the Planning and Finance Departments. It had decided investment in the share capital of the mills to the tune of Rs 172.66 crore till 1995. In November 1995, Government decided that proposals for share capital investment in the spinning mills should be examined by the Planning and Finance Departments and submitted to a Cabinet Sub-Committee consisting of the Deputy Chief Minister, the Minister for Co-operation and Textiles and the Finance Minister. The Sub-Committee was to submit its recommendations to the Cabinet Committee for approval. Accordingly, in January 1996, December

1996 and March 1997 the proposals were examined by the Planning and Finance Departments besides the Sub-Committee and approved by the Cabinet. Since March 1998, the proposals were, however, approved by the Sub-Committee as per decision of the Cabinet to the effect that such proposals could be decided by the Sub Committee itself. However, during 1998-99, this procedure was short circuited as the proposals were not even routed through the Planning and Finance Departments before submission to the Sub-Committee for its approval. Thus, decision making authority was informally delegated from the Cabinet to the Sub-Committee bypassing the Planning and Finance Departments. This was despite the fact that the complexity in deciding the proposals had increased on account of poor financial and physical progress of the mills, limited resources of the State and non fulfilment of the eligibility criteria by the mills. Such dilution of the decision making, process was not justified as there was no proper accountability for putting the public funds at risk due to unwarranted assistance to loss making units.

5.1.7.2 Ad hoc release of share capital contribution

As per the Government policy, 45 *per cent* of the project cost of each mill was to be met by Government, 5 *per cent* by the members of the mill and the balance 50 *per cent* by raising loans from the Financial Institutions (FIs). Before approaching the Government for release of the share capital contribution, the mills were required to obtain assurance from the FIs for grant of long term loans and also collect the members share capital contribution to the extent of at least 50 *per cent* of 5 *per cent* of the project cost.

Government released funds to the mills without ensuring their financial viability

Scrutiny of records revealed that Government released (March 1994 to March 2001) share capital to the extent of Rs 400.52 crore to 60 mills on *ad-hoc* basis without approval of the project report. Out of Rs 400.52 crore, Rs 212.24 crore was paid to 43 mills during the VIII Five Year Plan (1992-97) without any assurance from the FIs for long term loan. Government released the amounts without ensuring the share capital contribution of the members and economic viability of the projects. It released the funds to large number of mills in piece-meal fashion and disproportionate to the requirement. A few such cases of Government decisions on the release of funds during 1996-97 and 1997-98 are discussed below:

In January 1996, the Cooperation and Textiles Department identified 79 mills for Government assistance during the VIII Five Year Plan and submitted a proposal to release the share capital contribution. During vetting of the proposal, the Finance and Planning Departments *inter alia* pointed out that the project reports of the mills claiming Government assistance had not been approved; there were no project reports in respect of two* mills; no assurance from the FIs for giving long term loans to the mills was available; contribution

* Balaji Sahakari Soot Girni, Risod and Sant Jagmitra Sahakari Soot Girni Tokewadi (Parbhani)

of the members share capital was not ensured and in the circumstances of the limited and overall financial position of the State, investment in large number of mills was not appropriate. Despite these factors, the Co-operation and Textiles Department released Rs 54 crore to 25 mills on *ad hoc* basis after obtaining the approval of the Cabinet in January 1996.

Aggrieved by non-release of funds and alleging discrimination in release of funds, 4[*] mills filed a case in the High Court, Mumbai. The Honourable Court directed the Government to release fund to the mills after taking into consideration the norms suggested by the Court. Some of the norms suggested by the Court were (i) extent of collection of member's share capital (ii) assurance of the FIs for long term loan (iii) progress of the mills (iv) regional imbalance in setting up of the mills and (v) contribution to the mills already made by the Government. In compliance to the Court's directive, the department moved a proposal in December 1996 to release share capital contribution to 19 mills. Again the Finance and Planning Departments pointed out that cases should be decided on merit, the proposal did not specify whether the norms suggested by the Court were fulfilled or not, most of the mills had not mobilised the long term loan from the FIs and even project reports were not prepared by some of the mills. Yet, with the approval of the cabinet, the department released Rs 31.43 crore on *ad hoc* basis to 19 mills in March 1997.

During 1997-98 when a proposal for release of funds to 28 mills was moved by the Co-operation and Textile Department, the Planning Department observed (December 1997) that (i) after taking into account Rs 252.71 crore already released to the mills, about Rs 827.29 crore would be required to invest in 60 mills planned for assistance during the VIII Five Year Plan and it would take 15 years to make available this much funds. Besides this, Government would have to give guarantee for Rs 1200 crore of loan to be raised by the mills from the FIs. Difficulty in releasing this much funds would (i) delay erection of the mills and the investment would become unfruitful (ii) no FI was ready to give long term loan to the mills and (iii) despite past investment in the mills, their progress was not satisfactory and further investment was not prudent. The Finance Department also commented that the proposal should be initiated after approval of the project reports and ensuring that the norms suggested by the Court were fulfilled. The department, however, went ahead and released Rs 22.81 crore to 28 mills on 31 March 1998, after getting the proposal approved by the Cabinet Subcommittee.

A list of few mills who received the assistance and their condition is as follows:

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[*] Swami Ramanand Bharti Sangli, Sagareshwar Kadegaon Sangli, Jaswant Sootgirni Ambad Jalna, Gajanan Sootgirni Beed

Sr. No	Name of the mill	Year of release of share capital.	Amount of share capital released (Rs in Crore)	Comments of Finance/ Planning Departments	Basis of release	Present position
1.	Prabodhankar Thakre SSG Khatav.	1997-98	0.45	Release of financial assistance on ad hoc basis without ensuring financial viability of mill, approval of the project report and long term loan from financial institutions was irregular.	*Ad hoc* basis	All the mills are still under erection
2.	Majalgaon SSG Beed	1997-98	0.75			
3	Narsinha SSG Degloor	1995-96 2000-2001	0.25 0.70			
4	Kedarling SSG, Kolhapur	1995-96 1996-97	1.00 1.00			
5	Balaji SSG, Risod	1995-96 1996-97	1.00 0.75			
6	Shetkari Mahila SSG, Sangole	1997-1998 2000-2001	0.45 2.00			
7	Chopde SSG, Chopde	1994-1995	2.00			
8	Shirola Taluka SSG, Shirola	1998-1999 2000-2001	0.20 0.25			
9	Priyadarshini Anusuchit Jati SSG, Latur	1999-2000	1.00			
10	Indira SSG, Wani	2000-2001	2.00			
11	Matoshri Ramabai SSG, Kolhapur	2000-2001	1.00			
	Total		**14.80**			

The mills referred to in the table were the new ones which required substantial capital in the beginning to construct the building and set up the machinery. As against the Government share of Rs 198 crore, representing the 45 *per cent* of the project cost, Government released only Rs 14.80 crore, which was insignificant and far from the bare requirement of the mills particularly when they had not or were not in a position to mobilise the loan from the FIs.

Thus, Government did not release the funds on economic consideration. Further such decisions were made in disregard of the directives of Courts, advice of the Planning and Finance Departments and actual requirement of the mills.

5.1.7.3 Excess release of share capital

As per Government Resolution (August 1993), 45 *per cent* of the project cost should be met from the Government share capital and 5 *per cent* of the project cost should be met from the members share capital. Whenever Government share capital contribution is released, Government should satisfy itself that for every nine portion of its share capital, one portion had already been subscribed by the members of the mills.

While releasing the share capital contribution to 3 mills during 1993-1997, Government irregularly took into consideration the amount stated in the suspense account of the mills as their members share capital contribution and released Rs 12.19 crore to the 3* mills instead of Rs 10.35 crore admissible, resulting in excess release of Rs 1.84 crore.

Excess release of share capital contribution of Rs 14.30 crore to 9 mills

In six cases, Government released share capital of Rs 52.34 crore during 1984-1998, though at the rate proportionate to the members share capital, Government was required to release Rs 39.88 crore only, thus making excess release of Rs 12.46 crore. Government stated (November 2000) that in order to get maximum reimbursement of financial assistance from the World Bank through NCDC before June 1992, share capital contribution amounting to Rs 4.98 crore was released in excess to 3** mills. In respect of the remaining 3*** mills, no specific reasons were given by the Government. Release of fund in excess of entitlement was irregular.

5.1.7.4 Idle investment of share capital and subsidy

A mill stopped functioning since 1994 after availing Government assistance of Rs 5.57 crore

A mill at Jaldhara in Nanded district registered in June 1982 received Government share capital contribution of Rs 4.98 crore, Government subsidy of Rs 0.59 crore and loan of Rs 5.97 crore from FIs during March 1983 to March 1994. After incurring an expenditure of Rs 11.93 crore on land, building, plant, machinery, stores and preliminary expenses, the erection of the mill was stopped since May 1994 due to inability of the mill to raise share capital. Thus, Government investment of Rs 5.57 crore out of the total investment of Rs 11.54 crore remained unproductive for over 7 years. Government stated (November 2000) that the Director, HPT would take up a special audit within a period of one month and take the mill under liquidation. In July 2001, the Director, HPT sent the liquidation proposal to the Government. Thus, the department initiated action long after stoppage of erection of the mill at the instance of Audit.

5.1.7.5 Misutilisation of share capital contribution

Three mills misutilised share capital contribution of Rs 5.50 crore

According to Government Resolution issued in February 1997, in case the mills provided with share capital do not show expected progress in erection, installation of plant and machinery etc, the amount of share capital paid has to be recovered alongwith interest. Scrutiny of records of RDDs, Mumbai and Nagpur revealed that the share capital released by the Government was misutilised by the mills. The RDDs, however, did not take action to recover the interest as mentioned below.

5.1.7.5.1 Share capital of Rs 39.68 lakh was released (February 1975 and March 1976) by the Government to the Bhivandi Sahakari Spinning Mill for

* Yogeshwari Sahakari Soot Girni (SSG), Beed, Jawahar SSG Dhamangaon, Mouli, SSG Beed

** i) Jalna Vibhag SSG, Jalna, ii) Santa Gadgebaba SSG, Daryapur and iii) Akot taluka SSG, Akot

*** Shetkari SSG, Beed, Shetkari SSG, Sangole, Matsyodari SSG, Jalna establishment of the mill. The mill instead of utilising the amount, invested it in a bank as fixed deposits for 22 years and refunded only the principal of Rs 39.68 lakh to the Government in March 1998. The interest of Rs 49.41 lakh earned on the fixed deposit was retained by the mill. No action was taken by the Director, HPT to recover the amount of interest from the mill or penalyse the mill. The Director, HPT stated (October 2001) that share capital contribution was not interest bearing in nature. The reply was not tenable and action was required as the mill had misutilised the fund and earned undue advantage from Government funds.

5.1.7.5.2 Government released (March 1983) Rs 10 lakh as its share capital on *ad hoc* basic to Deorao Patil Kapus Utpadak Sahakari Mill, Yavatmal for erection of the mill. As the balance required capital could not be mobilised by the mill, the Managing Committee did not erect the mill and refunded the amount without interest after a lapse of 5 to 9 years (between September 1988 and March 1992). The Government admitted the blocking of the share capital for 9 years.

5.1.7.5.3 The Dongarai (Mahalaxmi) Sahakari Soot Girni, Kadepur, district Sangli received (May 1994 and January 1996) assistance of Rs 5 crore from the Government as share capital and Rs 4.65 crore as loan from the FIs for construction of building and purchase of machinery. The mill did not utilise the funds for such purposes and invested an amount of Rs 5.30 crore in three other mills, one co-operative society and one Bank.

In the above instances, the department failed to take penal action despite misutilisation of the financial assistance of Rs 5.50 crore by the mills and the RDDs failed to watch proper utilisation of the financial assistance.

5.1.7.6 Redemption fund

As per the terms and conditions prescribed by the Government in January 1982 and amended from time to time, share capital contribution of the Government was redeemable to the Government after 20 years from the date of release of contribution. To facilitate redemption of the share capital, the mill was required to create a share capital redemption fund by crediting to the fund an amount equal to minimum one fifteenth of the Government share capital contribution every year, commencing from the fifth year after receipt of the share capital contribution. In March 1999, Government instructed that 1/15 of the share capital contributed by the Government should be credited to the Government account commencing from the fifth year from the date of commercial production or the date of release of last instalment of the share capital whichever was later.

33 mills did not create redemption fund against Government investment of Rs 181.41 crore

Audit scrutiny revealed that 33 out of 68 mills had not created the redemption fund against Government share capital of Rs 181.41 crore. As against an amount of Rs 14.96 crore due for redemption from 18 mills, only 6 mills redeemed Rs 1.83 crore to the Government. The Director, HPT stated (May/October 2001) that information about creation of redemption fund and reasons for the non-creation of redemption fund have not been received from the RDDs. He further stated that all the RDDs had been asked to ensure that the mills take action as contemplated in the Government instruction issued in March 1999. The reply is not tenable as Director HPT, Nagpur and RDDs were required to ensure compliance of Government instructions and there was no valid explanation as to why they failed to do so.

5.1.7.7 Dividend

Dividend, if any, declared by the mills was required to be credited by the mills to the Government account within a period of 3 months from the date of its declaration. The Government received dividend of Rs 19.54 lakh (0.16 *per cent* of total capital invested by the Government) from the mills during 1990-91 on the investment of Rs 120.22 crore made by the Government upto 1990-91. No dividend on the cumulative investment of Rs 360.18 crore was declared by any of the mills during 1991-92 to 1999-2000.

The Director, HPT stated (May 2001) that almost all the mills suffered accumulated losses and 15 mills were under liquidation. Lack of return on the Government investment indicated that the assistance given by the Government to the mills were without any consideration for either the safety of the investments or return from such investments. These investments thus practically amounted to gratuitous assistance without any obligation on the part of the recipients.

5.1.8. Government loans

5.1.8.1 Long term loan guaranteed by the Government

The Financial Institutions provide long term loan to the extent of 50 *per cent* of the project cost to the mills on the strength of guarantee given by the Government. The guarantees given by the Government constitute contingent liabilities to the Government. The mills were required to pay guarantee fee to the Government at the rate of Re 0.50 per Rs 100 per annum upto 31 October 1988 and Re 1.00 per Rs 100 per annum thereafter. According to the information supplied by the Director, HPT in April 2000, as against Rs 541.20 crore of long term loan sanctioned by the FIs to the mills till March 2000 and guaranteed by the Government, an amount of Rs 398.87 crore remained to be repaid by twenty nine mills as of March 2000. Similarly guarantee fee of Rs 4.79 crore out of Rs 7.28 crore was due to be recovered from the mills. However, basic records showing the millwise and yearwise position of the loans availed by the mills, outstanding loans and guarantee fee recoverable were not available with the Director, HPT till May 2001 and hence the information furnished by the Director was not verifiable by Audit. While furnishing the above information, the Director and the Government stated (November 2000) that information complied by them was incomplete due to non availability of relevant documents.

Government paid Rs 14.50 crore to the FIs due to failure of the mills to repay the loan availed by them

It was noticed that Government as guarantor had to discharge guarantees for Rs 14.50 crore to the FIs during 1992-93 to 1997-98 due to failure of the mills to repay the loans to the FIs. In the context of this payment and other liability, it was all the more necessary that the department maintained proper details of guarantee fee etc. due for recovery and effect the recovery.

5.1.8.2 Non-recovery of Government loan

Government did not recover loan and interest of Rs 38.50 crore from 19 mills

The Government loan was to be repaid in five equal annual instalments after one year of release of the loan. The RDDs were responsible for watching the recovery of loan and interest thereto. A test-check of Government loan of Rs 19.73 crore released to 19 mills during 1976 to 1997 for rehabilitation of the mills, repayment of loan and interest due to FIs and payment of sales tax and wages, revealed that though Rs 38.50 crore (principal Rs 19.04 crore and interest Rs 19.46 crore) was due for recovery as of March 2001, nothing was recovered from the mills as of May 2001. The department did not have the details of the overall position of the loan released, recovery made and the outstanding loan and was thus evidently not monitoring the recovery of loans and interest.

The Director, HPT stated (May 2001) that out of the 19 mills, 11 mills were under liquidation, 5 mills were closed and the remaining 3 mills were running in losses. He further stated that the Government dues would be recovered from the sale proceeds of the liquidated mills and efforts would be made to recover the dues from the other mills. He further stated (November 2001) that powers of recovery have been vested with the District Deputy Registrar of Cooperative Societies (DDRCS) and his Directorate was pursuing the matter with the DDRCS. The reply is not tenable as watching repayment of the loans by the mills is the responsibility of the RDDs and only in the case of recovery as arrears of land revenue, the responsibility lies with the DDRCS.

5.1.8.3 Misutilisation of Government loan

Government sanctioned (March 1997) a loan of Rs 3.54 crore to the Dongarai Shetkari Vinkar Spinning Mills, Kadepur in Sangli district for repayment of loan availed by the mills from the FIs. However, the mill repaid only Rs 1.50 crore to the FIs and balance of Rs 2.04 crore was used for renovation of machinery and building and payment to cotton growers/traders.

The Director, HPT stated (May 2001) that the mill was asked to furnish explanation for misutilisation of the loan sanctioned by the Government.

5.1.9 Poor maintenance of registers

Department did not know the amount of funds released to the mills and amounts due to be recovered

The Director, HPT and RDDs were required to maintain records of share capital, loan, subsidy, guarantee fee etc. to keep account of total payment made to the mills, principal amount of loan and interest and guarantee fee due for recovery from the mills. It was observed that Registers of share capital, loan, subsidy and guarantee were either incomplete or not maintained at all. The Director, HPT and the RDDs stated in April 2000 that they had undertaken the work of collecting the information and all out efforts would be made to complete the records. Government stated (November 2000) that the Government Resolutions (GRs) sanctioning the share capital and loan were not received by the Director, HPT and information on long term loan sanctioned by the FIs was also not furnished to the Director by the concerned Institutions.

Further scrutiny of the records at RDDs and Director HPT in May 2001 revealed that these records continued to be incomplete. The Director stated (May 2001) that it was still not possible for the Directorate to complete the records because of non availability of concerned GRs sanctioning the loan and share capital and relevant informations from the RDDs, spinning mills and the FIs. He added that efforts were being made to bring the records upto date. In the absence of proper maintenance of these records, correctness of the amount released, utilisation of the financial assistance by the mills and position of outstanding loan, guarantee fee due and recovered etc. could not be verified by Audit. Government needs to address the issue of poor/incomplete record maintenance by the Director, HPT and the RDDS.

5.1.10 Other points of interest

5.1.10.1 Wanting utilisation certificate

With a view to facilitate the Scheduled Caste (SC) and Neo Budhist members of the cooperative mills to buy shares of the mills, Government gives subsidy to the mills. The mills in turn have to distribute the share certificates to the SC/Neo Budhist members on receipt of a token payment of Rs 200 for each share from such members. Subsidy of Rs 2.77 crore was released by the Director, HPT to 15 mills during 1996-97 to 2000-2001 for purchase of share by the SC and Neo Budhist members. The Director, HPT was to ensure actual utilisation of the subsidy released to the mills. However, the Director, HPT did not maintain any record to watch utilisation of the subsidy. The Director, HPT stated that the RDDs had already been instructed to verify the position by visiting the mills and maintain appropriate record. He added that the work of updating the utilisation of subsidy was incomplete and being pursued.

5.1.10.2 Irregular release of financial assistance

The NCDC approved (May 1995) the State Government's proposal for financial assistance to the Ichalkaranji Co-operative Spinning Mills, Inchalkranji, District Kolhapur. Scrutiny of records of the Director, HPT, revealed (March 2001) that Government released (July 1995) Rs 3.25 crore as share capital contribution on behalf of NCDC to the mill on the conditions that repayment of the amount should be made within a period of 5 years with interest at the rate of 16.75 *per cent per annum*. When Government claimed the reimbursement from the NCDC, the latter refused (September 1995) on the grounds that the condition of charging interest at 16.75 *per cent per annum* and repayment in 5 years time was not acceptable to the NCDC. Hence, the Government cancelled (March 1996) the earlier release order and directed the mill to repay the amount of Rs 3.25 crore immediately in one instalment. The amount was not refunded by the mill till October 2001. Thus, release of Rs 3.25 crore as share capital with unusual terms of repayment in 5 years time and with interest was irregular. The Director, HPT, stated (May 2001) that a proposal for conversion of the aforesaid amount as share capital had been submitted to the Government (March 2000) and Government decision was awaited (May 2001).

5.1.10.3 Regional imbalance

Contrary to the Government policy, more mills were set up in the non-cotton producing area

As early as in August 1993, Government decided to establish 70 *per cent* of the spinning mills in cotton producing areas and the balance 30 *per cent* in non-cotton producing areas so as to safeguard the interest of cotton producers. The position of area under cotton and the number of spinning mills set up with Government assistance in the four regions of the State is indicated in the following table: -

Area under cotton cultivation in lakh hectare

Region	1996-97	1997-98	1998-99	1999-00	2000-01	Percen-tage of area	Number of Mills
Nagpur	16.72	16.14	15.01	16.23	16.12	51.43	26
Aurangabad	9.55	10.00	11.18	11.61	9.95	33.52	23
Mumbai	3.91	4.68	4.75	5.35	4.13	14.63	18
Solapur	0.12	0.14	0.16	0.20	--	0.42	49
Total	**30.30**	**30.96**	**31.10**	**33.39**	**30.20**	**100.00**	**116**

Out of 116 mills which received Government assistance, only 49 mills (42 *per cent*) are located in the Nagpur and Aurangabad regions which have 85 *per cent* of the area under cotton in the State. Whereas, the Solapur region which accounts for less than 1 *per cent* of the area has 49 mills (42 *per cent*). It is thus evident that Government had not followed its policy of setting up of more mills in the cotton producing areas.

5.1.11 Monitoring and Evaluation

5.1.11.1 Inspection of the spinning mills

Shortfall in inspection of the mills by the RDDs

5.1.11.1.1 To ensure adherence to the financial norms by the mills and proper utilisation of the assistance, each of the RDDs was required to inspect 24 mills every year. Audit scrutiny revealed shortfall in the number of inspections carried out by the RDDs, Aurangabad, Mumbai, Nagpur and Solapur during 1996-2001 as given in the table below:

Year		Aurangabad		Mumbai		Nagpur		Solapur	
	Target	Actual inspec tion	Short -fall	Actual inspec tion	Short -fall	Actual inspe-ction	Short -fall	Actua inspe-ction	Short -fall
1996-97	24	8	16	16	8	6	18	22	2
1997-98	24	7	17	14	10	14	10	11	13
1998-99	24	3	21	11	13	18	6	16	8
1999-00	24	1	23	10	14	8	16	20	4
2000-01	24	--	24	5	19	7	17	6	18

The shortfall was 16 to 24 inspections in the case of RDD Aurangabad, 8 to 19 inspections in the case of RDD Mumbai, 6 to 18 inspections in the case of RDD Nagpur and 2 to 18 inspections in the case of RDD Solapur during 1996-2001. Details regarding nature of the inspections and follow up action taken on the basis of inspections were not made available to audit. The Director, HPT stated (May 2001) that efforts would be made to achieve the targets during the current year.

5.1.11.1.2 Every month, the Executive Engineers (EEs) and Junior Engineers (JEs) attached to the RDDs were required to visit two mills under erection. However, records showing the inspections undertaken were not maintained by these officers. The Director, HPT admitted (May 2001) that record regarding inspections carried out by the EEs/JEs was not maintained and steps would be taken to inspect construction of the mills, after chalking out programme for inspection.

The shortfall in inspections by the RDDs and the EEs/JEs was one of the reasons for the various shortcomings relating to monitoring of the Government investment.

5.1.11.2 Monitoring

The Government of Maharashtra had to set up the Maharashtra State Co-operative Council as required to be constituted under section 154 A of the Maharashtra Co-operative Act, 1960. However, no such body was setup till date (November 2001).

There was also no systematic procedure in place to monitor the progress of setting up of the mills and evaluate their activities by the department. Scrutiny of records of the Director, HPT, Nagpur (March 2001) revealed that the mills were irregular in submission of the prescribed reports like A and B statement, cost sheet etc. But no action was taken against the mills for irregular / non-submission of the reports and monitoring of the mills suffered to that extent too. Government agreed (November 2000) that monitoring methods implemented presently were inadequate and efforts would be made to reorganise the monitoring machinery.

To sum up, the department released the financial assistance to the mills injudiciously without ensuring the financial viability, did not have complete records to note the details of loan and share capital released to the mills and watch recovery of the dues and in the absence of records its effort to watch utilisation of the fund and recovery of dues etc was ineffective and it did not have effective internal control to monitor performance of the mills. Most of the mills are loss making and the entire Government investment is a dead investment.

The above points were referred to the Director, HPT, Nagpur in July 2001 and to the Secretary to the Government in July 2001 and followed up with reminder in September 2001. However, no reply has been received (December 2001).

PUBLIC HEALTH DEPARTMENT

5.2 National AIDS Control Programme

5.2.1 Highlights

The programme for prevention and control of Acquired Immuno Deficiency Syndrome is a cent *per cent* centrally sponsored scheme since 1992-93 with assistance from the World Bank. In the State, the programme was implemented through societies formed for the purpose with the help of the infrastructure of the State Health Department and Non-Government organisations. The first phase of the programme till March 1999 aimed at slowing the spread of Human Immuno Deficiency Virus infections, morbidity and mortality associated with it and to minimise socio-economic impact thereof by creating public awareness on Acquired Immuno Deficiency Syndrome. In the second phase which is under implementation, the focus was proposed to be shifted to targeted interventions on high risk groups like commercial sex workers, truck drivers etc with the help of Non-Government organisations.

Incidence of the disease was high in the State and Human Immuno Deficiency infection was steadily spreading; the State Government had not conducted impact assessment of the awareness campaign, targeted intervention programme was yet to pick up and two high risk districts of Pune and Sangli had not been covered in targeted intervention projects. Further the blood safety programme was adversely affected by delay in the modernisation of Blood Banks and setting up Voluntary Testing Centres in 20 districts.

Out of 29007 cases of Acquired Immuno Deficiency Syndrome reported in the country till October 2001, 6768 cases (23 *per cent*) were from Maharashtra indicating that the spread of the disease was substantial in the State. In order to generate reliable data on trend of prevalence of Human Immuno Deficiency Virus, Sentinel Surveillance Centres had not been established in all the districts.

(Paragraph 5.2.6)

A disproportionately high amount (Rs 5.04 crore) of total funds was spent on major repairs/furnishings of the offices of Maharashtra State AIDS Control Society, Maharashtra District AIDS Control Society and United States Agency for International Development. Despite expenditure of

Rs 1.49 crore on office of United States Agency for International Development, it remained unoccupied.

(Paragraph 5.2.7.1)

A Sexuality Health Information Art Gallery established by Mumbai District AIDS Control Society for Acquired Immuno Deficiency Syndrome awareness at a cost of Rs 18.12 lakh was not put to use for want of staff.

(Paragraph 5.2.8.1)

A Non-Government organisation in Pune did not organise the workshop and refunded the unspent grant of Rs 16.32 lakh after a year.

(Paragraph 5.2.8.2)

The societies released grants to all blood banks at the same rate without considering their size and performance. The programme of modernisation of blood banks was affected due to non-supply/delayed supply of equipment. Equipment worth Rs 27.69 lakh supplied to a Blood Bank in Nagpur remained idle due to belated receipt of licence. Two Blood Banks (Mumbai and Pune) had not started preparation of blood components for want of licence.

(Paragraphs 5.2.9.1 to 5.2.9.3)

Targeted interventions amongst Commercial Sex Workers were not carried out in Sangli and Pune districts, which had high prevalence of Human Immuno Deficiency Virus. Regular supply and distribution of condoms in red light areas was not monitored. The implementing authorities also had no details of further distribution of condoms by the Non-Government organisation in Sangli district who was given bulk quantities for supply to the beneficiaries.

(Paragraphs 5.2.10.1 and 5.2.10.2)

5.2.2 Introduction

Acquired Immuno Deficiency Syndrome (AIDS) is a fatal disease caused by Human Immuno Deficiency Virus (HIV). It does not kill by itself but makes the person vulnerable to other infections by depleting the immune system. It is transmitted through sexual contact, sharing blood contaminated needles and syringes, multiple transfusion of blood of infected persons and transmission from infected mother to child before, during or shortly after birth. No effective vaccine has been developed for AIDS and there is no cure for it. The epidemic is in a fairly advanced stage in the State due to the huge migrant population and heavy turnover of inter state transport vehicles. During 1986-2001, out of 6.25 lakh cases of high risk group screened in the State, 86735 cases were found to be HIV positive.

Government of India (GOI) launched a programme in September 1992 with assistance from the World Bank to support a full-fledged National AIDS Control Project – Phase-I (NACP-I) implemented up to March 1999.The first phase of the programme envisaged to slow down the spread of HIV infection, to decrease morbidity and mortality associated with HIV infection and to minimise socio-economic impact thereof by creating public awareness. The second phase of the programme from April 1999 was launched with a view to strengthen the capacity to respond to HIV/AIDS on long-term basis and to reduce spread of HIV infection by identifying target groups such as Commercial Sex Works (CSWs), truck drivers etc, providing counselling, condom promotion, treatment of Sexually Transmitted Diseases (STDs) and client programmes.

5.2.3 Organisational set-up

The National AIDS Control Organisation (NACO) an executive body in the Ministry of Health and Family Welfare, GOI is responsible for monitoring the implementation of the programme. At State level, the programme was implemented (till July 1998) by the State AIDS Cell (SAC) in the Directorate of Health Services (DHS), Mumbai. Two registered societies namely Maharashtra State AIDS Control Society (MSACS) under the chairmanship of the Secretary, Public Health Department and Mumbai District AIDS Control Society (MDACS) under the chairmanship of the Municipal Commissioner, Mumbai constituted in 1998 were responsible for effective implementation of the programme.

The implementation and management of the programme in Mumbai city was monitored by MDACS and in rest of the State by MSACS in co-ordination with the State Government/Municipal/Private Hospitals as well as with the support of Non-Government Organisations.

5.2.4 Audit coverage

NACP implemented in the State during 1996-2001 was reviewed in audit during March to June 2001. Records maintained by the SAC, MSACS, MDACS in Mumbai, two circle offices (Pune and Kolhapur) of the DHS and related hospitals and NGOs were test checked. Results of the review are discussed below:

5.2.5 Financial performance

The NACP was being implemented as a cent *per cent* centrally sponsored scheme. The State contributed towards implementation of the programme by extending the use of existing hospitals, their staff and infrastructure. Initially funds received from NACO were provided for the programme through the State budget. From 1998-99 funds were being released by NACO directly to the societies for meeting the expenditure of the staff/establishment of the societies and on the programme.

The details of funds released by NACO to the Project Implementing Agencies (PIAs) and expenditure therefrom are summarised as follows:

(Rupees in crore)

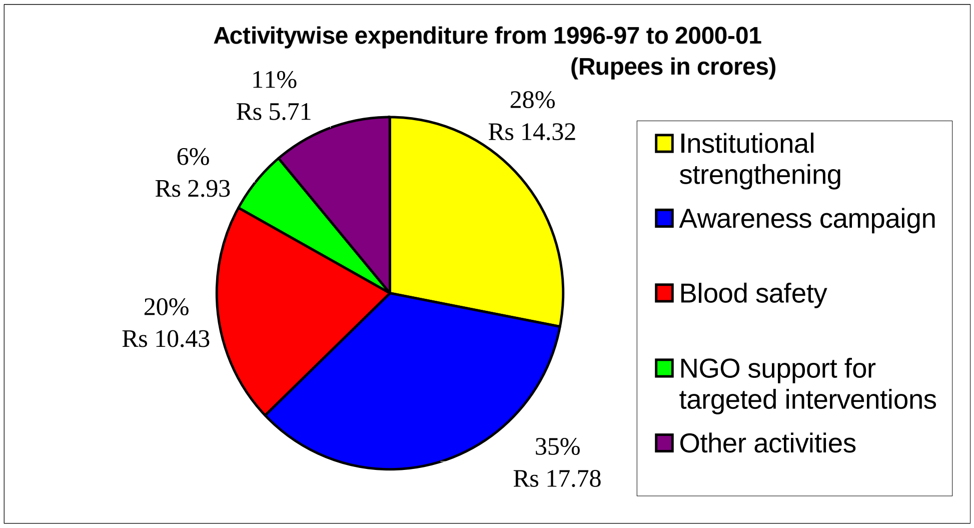
Years	**PIA**	**Opening balance**	**Grants received**	**Expendi-ture**	**Unspent balance**
1996-97	SAC	0.38	9.00	6.82	2.56
1997-98	SAC	2.56	7.50	8.45	1.61
1998-99	SAC	1.61	0.00	1.36	0.25
	MSACS	-	8.00	2.13	5.87
	MDACS	-	3.50	1.08	2.42
1999-2000	MSACS	5.87	9.98	11.11	4.74
	MDACS	2.42	6.70	8.07	1.05
2000-2001	MSACS	4.74	8.52	7.67	5.59
	MDACS	1.05	4.32	4.48	0.89
Total		**0.38**	**57.52**	**51.17**	**6.73**

State Government retained unspent balance of programme funds

5.2.5.1 The State Government did not transfer the unspent balance of Rs 25.15 lakh lying since 1998-99 to MSACS as directed by NACO and unauthorisedly retained the money. The amount could not be utilised for the programme.

5.2.5.2 During 1998-99, funds to the extent of 35 *per cent* only were utilised due to late receipt of guidelines from NACO. In subsequent years, about 50 *per cent* of funds were received from NACO in the last quarter and hence huge amounts remained unspent at the close of the year.

The details of expenditure during 1996-2001 on important activities of the programme are shown in the chart as follows :



It would be seen that though phase II of NACP aimed at shifting the focus from raising awareness to changing behaviour through interventions, particularly for high risk groups, the expenditure on the activity of interventions was only 6 *per cent* whereas expenditure on awareness continued to be the highest at 35 *per cent*.

5.2.5.3 Release of funds through demand drafts – delay in encashment and accounting of funds

No guidelines for custody/accounting of funds at district level were issued

There were no guidelines from NACO/MSACS on custody and accounting of funds released to offices/hospitals in districts. As the State health department offices, who are the actual implementing agencies in the districts, are not empowered to open bank accounts, the MSACS has been releasing the funds to them by Demand Drafts.

MSACS released Rs 43.50 lakh each in October 1999 and September 2000 to Deputy Director of Health Services (DDHS) Pune through DDs for procurement of consumables to be supplied to blood banks. These DDs were encashed in March 2000 and January 2001 respectively and entries made in the cash book thereafter. Thus the DDs were not accounted for in the cash book for five months. The amount released in September 2000 was utilised upto April 2001. Similarly, Rs 7.25 lakh each released to DDHS, Kolhapur in October 1999 and September 2000, were utilised upto May 2001. Thus release of huge amounts through DDs, which are encashed by the district health authorities across the counter and money lying idle for long periods, left scope for misuse and even misappropriation of funds.

MSACS stated (August 2001) that joint bank accounts in the name of the Collector and the Civil Surgeon in each district would be opened to ensure safe and prompt release of grants to various institutions/agencies and recovery of unspent balances.

5.2.5.4 Non-submission of utilisation certificates

Records to watch the Utilisation Certificates (UCs) for funds released up to March 1999 had not been maintained by SAC and MSACS. It was noticed that in respect of funds for Rs 38.20 lakh released (November 1998) to 29 Civil Surgeons and 12 Municipal Corporations for observing World AIDS Day, UCs for Rs 18.80 lakh were not submitted by them (June 2001).

Similarly UCs for grants amounting to Rs 3.01 crore released during 1998-2001 by MSACS (Rs 2.04 crore) and MDACS (Rs 0.97 crore) were not received (June 2001) from NGOs, hospitals, blood banks, offices of Health Department etc which was not only irregular but also resulted in delay in recovery of unspent balances.

5.2.5.5 Delay in utilisation of grants

In March 2000 Rs 5.07 lakh was released by MSACS to Health and Family Welfare Training Centre, Kolhapur for organising training on STD surveillance. This amount was lying unutilised (June 2001) for want of proper guidelines on the training programme.

MSACS stated (August 2001) that action plan had been chalked out by training centre for conducting training.

5.2.6 Trend of progression of Human Immuno Deficiency Virus infection

As per the statistics reported by MSACS to NACO, out of 6.25 lakh cases of high risk group screened in the State from August 1986 to March 2001, 86735 cases (13.9 *per cent*) were reported to be HIV positive. Out of 29007 cases of AIDS reported in the country till October 2001, 6768 cases (23 *per cent*) were from Maharashtra indicating that the epidemic was in a fairly advanced stage in the State. The districts of Mumbai, Pune and Sangli are among the high-risk districts.

The yearwise data of cases screened, HIV/AIDS cases detected and deaths due to AIDS during the last 4 years as furnished by MSACS are as follows:

Year	No. of cases screened	HIV cases detected	Percentage of HIV cases (Col.3/2)	AIDS cases detected	Percentage of AIDS cases (Col.5/3)	Deaths due to AIDS
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
1997	63027	11651	18.5	933	8.0	47
1998	58847	14617	24.8	846	5.8	68
1999	99641	13644	13.7	517	3.8	48
2000	94257	12997	13.8	1470	11.3	97

The above data indicated that the HIV infection is steadily spreading and the AIDS cases are also on the rise.

5.2.6.1 Results of sentinel surveillance

In order to provide critical data on the progression of the epidemic geographically among various sections of the population and to plan appropriate strategies, sentinel surveillance was carried out by establishing Sentinel Surveillance Centers (SSC). The data so collected was to be extrapolated to the large population of the State for arriving at the extent of HIV infection. No targets were set for establishment of SSCs in the State.

During 1996-2001, four rounds of surveillance were conducted on mothers attending antenatal centres (ANC) and patients attending STD clinics in 13 districts[1] of the State covering each region. Results of the surveillance are given below:

Lack of reliable data on progression of AIDS

Period	Sentinel group	No of sites	Targets to be tested	Actually tested	Number positive
Feb 1998	STD	8	2000	1762	473
	ANC	12	4800	4800	116
Sept 1998	STD	8	2000	1980	488
	ANC	12	4800	4800	107
Aug to Oct 1999	STD	8	2000	1875	496
	ANC	12	4800	4800	102
Aug to Oct 2000	STD	9	2250	1494	332
	ANC	19	7600	7473	146

5.2.6.1.1 The above table showed that the trend of prevalence of HIV in high risk group i.e. STD cases was on the increase.

[1] Ahmednagar, Akola, Chandrapur, Kolhapur, Latur, Mumbai, Nagpur, Nashik, Pune, Ratnagiri, Sangli, Satara and Solapur.

5.2.6.1.2 The surveillance was carried out on STD and ANC cases in 13 districts only and other common population and remaining districts were not covered by such surveillance. In order to generate more reliable data on trend of prevalence of HIV, SSCs in remaining districts had not been established. MSACS proposed to establish 6 new centres (1 STD and 5 ANC) and to shift 2 STD and 2 ANCs to other places during the surveillance in the year 2001.

5.2.7 Institutional strengthening

This component aims at strengthening technical, managerial and financial sustainability at the State/Municipal level. Building implementation capacity is one of the items covered under the component.

5.2.7.1 Irregularities in awarding contracts for major repairs and furnishings of offices

Rs 5.04 crore was spent on repairs and furnishing of rented offices

The Brihanmumbai Municipal Corporation (BMC) agreed (April 1998) to provide rental accommodation for offices of MSACS, MDACS and United States Agency for International Development (USAID) in five wards of Ackworth Municipal Hospital Wadala, Mumbai for a period of 10 years. The cost of repairs and renovations was to be borne by NACO for which funds were released to MDACS. Officewise/workwise break up of expenditure is given below:

(Rupees in lakh)

Office of	Civil works	Infrastructure works	Interior works	Furniture and equipment	Total
MDACS	54.40	39.98	51.52	28.98	174.88
USAID	31.51	39.98	49.90	27.83	149.22
MSACS	31.59	39.98	53.91	27.83	153.31
Total	**117.50**	**119.94**	**155.33**	**84.64**	**477.41**

5.2.7.1.1 Repairs, renovations etc were carried out to develop the office complex in multinational corporate style at a disproportionately high cost of Rs 5.04 crore which accounted for 10 *per cent* of the total expenditure on the programme during 1996-2001. The work was executed under the supervision of private consultants who were paid fees of Rs 26.25 lakh.

5.2.7.1.2 The works for the three offices were identical but were not entrusted as a composite work by wide publicity to attract competitive rates on the ground of urgency. In this connection following points were noticed:

5.2.7.1.2 (i) Terms and conditions relating to payment of rent/compensation to BMC had not been finalised (September 2001); yet the societies paid property tax amounting to Rs 24.64 lakh for the period from October 1999 to March 2001 as demanded by the BMC.

5.2.7.1.2 (ii) Expenditure of Rs 1.49 crore on repairs and renovations for office of USAID till September 1999 was unfruitful, as it remained unoccupied till June 2001.

5.2.7.1.2 (iii) The selection of architect was made without wide publicity for works initially estimated to cost Rs 1.80 crore (actual cost Rs 4.77 crore). The second lowest offer at 6.75 *per cent* of the estimated cost was accepted on the recommendations of the Dy Municipal Architect. Reasons for non-acceptance of the lowest offer of 6 *per cent* were not furnished.

The MDACS confirmed the above position (June 2001).

5.2.7.1.2 (iv) In violation of the laid down procedure to award the work by national competitive bidding, the civil, infrastructure and interior works were split up and separate tenders were invited by close bids from the list of contractors submitted by the architect. The society has thus foregone the benefit of competitive rates for bulk procurement.

Non-invitation of composite tender resulted in loss on bulk procurement. The ground of urgency for splitting the work proved to be unjust in view of extensions up to 6 months granted for completion of works and the office of the USAID remaining unoccupied till June 2001.

5.2.8 Awareness campaign on Acquired Immuno Deficiency Syndrome

Information Education and Communication (IEC) campaigns were carried out by displaying posters, pamphlets etc at public places and distribution thereof amongst masses with a view to raise awareness on AIDS in the general population. In addition, campaigns were carried out through electronic media, folk drama, street plays etc. Programme geared towards youth awareness and family health awareness were also organised.

As mentioned in Para 5, Rs 17.78 crore was spent on awareness campaigns during 1996-2001 of which Rs 1.25 crore was spent through NGOs. In the absence of any guidelines from NACO or SAC, there was neither any criteria for selection of NGOs nor wide publicity given before entrusting this work to them by the SAC.

5.2.8.1 Information art gallery not put to use

Funds of Rs 18.12 lakh remained blocked as SHIAG could not be opened for want of staff

MDACS approved the establishment of a Sexuality Health Information Art Gallery (SHIAG) and authorised the Project Director to award the contract to an artist. The work was entrusted (May 1999) to Surabhi Creations, Mumbai at a total cost of Rs 18.29 lakh. The agency completed the work by April 2000 at a total cost of Rs 18.12 lakh. MDACS approached NACO in April 2000 for their directives regarding the staff to run the gallery or whether it could be entrusted to any NGO. However instructions for utilisation of the information art gallery established in April 2000 had not been received from NACO (September 2001). Thus the expenditure of Rs 18.12 lakh on establishment of SHIAG had not served the intended purpose (September 2001).

The MDACS stated (July 2001) that the art gallery could not be opened for public due to financial crunch. They also stated (September 2001) that they had decided to collaborate with an organisation for operation of the information gallery. Further report was awaited (September 2001).

5.2.8.2 Delay in recovery of unutilised funds from organisers of workshop

Delay in refund of unspent grant of Rs 16.32 lakh by an NGO

The SAC released (April/June 1998) Rs 16.32 lakh to Seva Prabodhini, Pune for organisation of 5 sensitisation workshops among members of local bodies and press personnel. As there was no response from intended beneficiaries, the workshop was not organised and the NGO refunded the entire amount of Rs 16.32 lakh after a year in April 1999.

Similarly the Maharashtra University of Health Sciences, Nashik who was paid Rs 3.95 lakh by MSACS in February 1999 for organising workshop on AIDS awareness refunded the unspent balance of Rs 2.59 lakh only in September 2000.

5.2.8.3 Non-establishment of Voluntary Testing Centres/Blood Testing Centres

Non-establishment of Voluntary Testing Centres in 20 districts

The project envisaged establishment of one Voluntary Testing Centre (VTC) in each district aimed at increasing availability of and demand for voluntary testing, training health workers and providing counselling services through all blood banks and STD clinics. The position of such centres in 33 districts of the State are given below:

Year	No of centres established	Amount allotted	Actual expenditure	No of established centres not functioning
		(Rupees in lakh)		
Up to 1998-99	6	8.19	8.19	----
1999-2000	16	17.05	14.93	6
2000-01	-	19.56	11.89	6
Total	**22**	**44.80**	**35.01**	

Out of 22 VTCs established in 13 districts of the State till March 2001, six centres[1] were not functioning due to non-availability of ELISA Readers, which were to be supplied by NACO. VTCs in 20 districts had not been established (September 2001). In 15 districts neither VTCs nor SSCs were

[1] Ambejogai, Dhule, IGMC at Nagpur, Nanded, Solapur and Yavatmal

established. This had resulted in non-availability of HIV testing facilities to the general public in these districts.

Further, the Blood Testing Centres (BTC) provides facilities to test blood samples for HIV infection. Out of the 19 centres targeted to be established in the State during 1998-2001, six BTCs (Beed, Dhule, Nanded, Nagpur, Solapur and Yavatmal) had not started functioning due to non-supply of ELISA readers by NACO (May 2001). In Mumbai, two centres namely INHS Ashwini and Rajawadi Hospitals were also not provided with the equipment by NACO. Therefore, the objective of strengthening/upgrading of these centres for efficient implementation of the programme was not achieved.

MSACS stated (August 2001) that NACO had approved establishment of VTC in all districts in March 2001 and steps were being taken for setting up these centres.

5.2.9 Blood safety programme

Incidence of HIV positivity in blood donors declined

The component envisaged to upgrade and modernise blood banks by providing equipment, grants for consumables and salary of technicians and by establishment of Blood Component Separation Units (BCSU) to promote rational use of blood and blood products. The major objective of the blood safety programme was to ensure easily accessible, adequate supply of safe and quality blood and blood components for all. Blood safety was an integral part of NACP and testing of every unit of blood was mandatory for reducing infections. Overall performance of blood banks in the State showing the trend of voluntary blood donations and HIV positivity was as follows:

Year	Blood collection (in lakh units)	Percentage of	
		Voluntary collection	HIV Seropositivity
1996	3.60	37.78	1.73
1997	4.17	38.61	1.77
1998	4.65	47.74	1.82
1999	5.85	49.23	1.36
2000	6.66	54.20	1.20

Source: State Blood Transfusion Council

The above data showed that there was decline in the incidence of HIV positivity in voluntary blood donations.

5.2.9.1 Modernisation of blood banks was ineffective

Out of 228 functional licensed blood banks, 30 blood banks (14 in Mumbai and 16 outside) and 41 blood banks (2 in Mumbai and 39 outside) are categorised as major blood banks and district level blood banks respectively. All these 71 blood banks were to be upgraded under NACP till March 1999.

Under modernisation programme, one time grant in the form of equipment worth Rs 3.19 lakh for major blood banks and Rs 1.25 lakh for district level blood banks were to be provided by NACO. During first phase of the programme, equipment to 37 blood banks were not supplied by NACO and for remaining 34 blood banks equipment were supplied partly. Non-supply/delayed supply of equipment adversely affected the modernisation/ upgradation of blood banks.

5.2.9.2 Release of grants to blood banks not linked to performance

Grants for consumable to blood banks were released without linking to the blood collection

Annual grants of Rs 3 lakh and Rs 1.25 lakh are paid to each major and district level blood bank respectively for purchase of consumables. MSACS released grant of Rs 85.25 lakh each during 1999-2000 and 2000-01 to 50 blood banks and MDACS released Rs 28 lakh to 14 blood banks in Mumbai city during 2000-01. Public hospitals, whose blood collection ranged from 5000 to 30000 units were given the same grants by the societies as those hospitals whose blood collection ranged from 70 to 1000 units only.

5.2.9.3 Delay in receipt of licence for Blood Component Separation Unit

Equipment worth Rs 27.69 lakh supplied to GMC, Nagpur by NACO remained idle for 3 years

With a view to promote rational use of blood and blood products, BCSUs were required to be established in blood banks. Under NACP, NACO provides one time assistance to each BCSU in the form of equipment worth Rs 27.69 lakh. In addition annual grant of Rs 14 lakh was also payable.

Out of 43 BCSUs in the State, six* units were approved by NACO upto 1998-99 for assistance under NACP. However, annual grants were released by societies to National Plasma Fractionation Centre (NPFC), Sassoon and Jankalyan Blood Banks only. In this connection the following points were noticed:

5.2.9.3.1 The Government Medical College (GMC) Hospital, Nagpur received equipment for BCSU between January 1996 and December 1997 and applied for licence in April 1997. The licence was issued by Drug Controller of India/Food and Drugs Administration (FDA) after considerable delay in December 2000. Therefore, the BCSU started functioning from January 2001 only. Thus equipment valuing Rs 27.69 lakh (approx.) remained idle for over 3 years. Delay in issue of licences not only resulted in delay in establishment of BCSUs for preparation of blood components but also necessitated use of whole blood resulting in wastage of blood units.

5.2.9.3.2 Platelet agitator with incubator was received by Sassoon Hospital, Pune in December 1999. Though the hospital applied for licence in December 1999 for preparation of platelet concentrate, the licence had not

* Armed Forces Medical College Pune, GMC Nagpur, Jankalyan Blood Bank Pune, NPFC Mumbai, Sassoon Hospital, Pune and St. Georges' Hospital Mumbai

been received from FDA. Therefore, preparation of this component was yet to commence (May 2001).

5.2.9.3.3 Platelet agitator with incubator supplied to St. George's Hospital, Mumbai, as late as in February 2001 was lying idle for want of licence. The hospital has not yet applied for the licence for preparation of platelet and fresh frozen plasma. Therefore, these components were not being prepared (May 2001).

5.2.10 NGOs support for targeted intervention

The activity aims at reducing the spread of HIV in groups at high risk by identifying target population and providing peer counselling, condom promotion, treatment of STD and client programmes. These services were to be delivered largely through the participation of NGOs.

5.2.10.1 Inadequate targeted intervention for high risk groups

Inadequate TI activities in high risk areas

The activity of targeted intervention (TI) was taken up from 1999-2000 only. No survey was conducted to identify groups at high risk in various parts of the State for developing strategies for TI. Detailed guidelines on selection of NGOs and unit cost of each project indicating various components thereof were received by MSACS/MDACS in September 1999.

During 1999-2001 MSACS and MDACS spent Rs 0.69 crore and Rs 1.20 crore respectively on this component to cover 1.36 lakh CSWs and 2.19 lakh truck drivers for delivery of the programme.

5.2.10.1.1 TI was carried out with the support of 19 NGOs in Mumbai city and 19 NGOs in rest of the State. Prevalence of HIV cases in Sangli district was high, yet no intervention activity was carried out for high risk groups as two NGOs in the district appointed in June 1999 abandoned the work. In Pune district also the interventions amongst CSWs were insignificant.

MSACS stated (August 2001) that special project for Pune had been formulated for implementation in co-ordination with Pune Municipal Corporation. A similar project was also under consideration for Sangli district (September 2001).

5.2.10.1.2 Five NGOs in four[*] districts selected by MSACS were non-functional. Grants of Rs 5 lakh released to these NGOs between June and November 1999 were thus wasted.

5.2.10.1.3 The MDACS received Rs 0.50 crore from NACO for carrying out TI projects as against the estimated requirement of Rs 3.21 crore for the year 2000-2001. Due to paucity of funds the unit cost of each TI project fixed

[*] Amravati, Sangli, Satara and Thane districts

by NACO was reduced by MDACS (September 2000) and the number of participating NGOs was also reduced to 13. However, as indicated in Para 5 above, there were huge unspent balances and funds were not being released for activities where needed and held up where not required due to lack of proper co-ordination and monitoring.

5.2.10.2 Promotion of condoms

Non-monitoring of supply and distribution of condoms in red light areas

This is an important activity for prevention of STD and spread of HIV. The guidelines issued by NACO envisaged promoting use of condoms to the extent of 90 *per cent* amongst high risk categories like CSWs, truck drivers etc. Under the scheme of free supply of condoms as a part of the family welfare programme, the Additional Director, Family Welfare, Pune supplied condoms to District Health Officers, Municipal Corporations and MDACS for issue to various Primary Health Centres (PHCs), NGOs etc for further distribution. There was a significant decrease in number of condoms distributed from 613.64 lakh in 1996-97 to 414.10 lakh in 2000-2001. The following points were noticed.

5.2.10.2.1 AIDS, STD and Health Action (ASHA) a project of BMC, Mumbai distributed 41.18 lakh, 44.27 lakh, 57.89 lakh and 23.73 lakh condoms under free supply scheme during 1997, 1998, 1999 and 2000 respectively. ASHA project was not receiving required quantity of condoms regularly from MDACS resulting in inconsistent and declining supply of condoms in one of the largest red light areas in the State, thus increasing the risk of spread of the disease.

5.2.10.2.2 In Sangli district 31.56 lakh condoms were supplied to a single NGO (SANGRAM) during the period 1998-99 to 2000-01 with an average of 10 lakh condoms every year but the authorities had no details of distribution to the beneficiaries.

5.2.10.2.3 With a view to supply good quality condoms, the GOI approved the scheme of social marketing in August 1998. The scheme was not implemented in the State during 1998-2000, as no NGO was willing to undertake the activity. In November 2000, NACO entrusted social marketing of condoms to DKT India Ltd who sold 48.52 lakh condoms to various private medical shops till March 2001. No system was evolved by the two societies to ensure that condoms were received regularly by the targeted population. It was observed that there were hardly any medical stores around the red light areas in Mumbai and there was no system to channelise delivery of condoms through other popular outlets (such as *pan beedi* shops) either.

5.2.10.2.4 The MSACS/MDACS stated (December 2001) that they had not installed condom vending machines (CVM) as a part of condom promotion programme because NACO guidelines did not provide for such activity and that a proposal sent by the State Government to GOI in February

2001, for installation of 5000 CVMs in the State was still pending with them (November 2001). However, it was noticed by audit that NACO guidelines provide for installation of CVM at strategic points.

5.2.11 Conclusions

Though the programme was functional since 1992-93 and the phase I concluded in March 1999, substantial funds have also been spent; yet the State Government/societies had not carried out any study on the impact of the programme to plan further strategies to arrest the spread of the disease.

For second phase of the programme, which involved targeted intervention, a baseline survey which is a foremost necessity has not been conducted by the two societies. Instead, the projects for targeted intervention were being approved by the societies on the basis of data on targeted population given by the NGOs.

Modernisation of blood banks was ineffective due to non-supply/delayed supply of equipment by NACO and non-installation of equipment due to delay in receipt of FDA licence to the Blood banks.

As per the NACO guidelines, an interim monitoring and evaluation study was to be conducted by an outside agency for the second Phase of the programme. Such an evaluation was not carried out by the societies to plan/modify strategies to combat spread of AIDS more effectively (September 2001).

The above points were referred to Secretary to the Government in July 2001. No reply has been received (December 2001).

5.3 Extent of assistance

Autonomous bodies and authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the Maharashtra Co-operative Societies Act, 1960, Companies Act, 1956 etc to implement certain programmes of the State Government. The grants were intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and other similar facilities under municipalities and local bodies.

During 2000-2001, financial assistance of Rs 8161.02 crore as grants and (-) Rs 860.42* crore as loans were paid to various autonomous bodies and others, broadly grouped as under :

Sr. No.	Name of Institutions	Amount of grants	Amount of loans
		(Rupees in crore)	
1.	Universities and Educational Institutions	2633.08	--
2.	Municipal Corporations and Municipalities	482.21	70.68
3.	Zilla Parishads and Panchayati Raj Institutions	3362.10	(-) 1403.95
4.	Development Agencies	59.81	64.64
5.	Hospitals and Dispensaries	52.57	--
6.	Other Institutions	1571.25	408.21
	Total	**8161.02**	**(-) 860.42**

5.4 Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to Accountant General within one year from the date of sanction unless specified otherwise.

Of the 57384 UCs due in respect of grants and loans aggregating Rs 5868.62 crore paid upto 2000-2001, only 5824 UCs for Rs 1757.41 crore had been furnished during 2000-2001 and 51560 UCs for an aggregate amount of Rs 4111.21 crore were in arrears. In respect of UCs for grants, the Department of Social Welfare, Cultural Affairs and Sports was the worst defaulter with

* Ways and means advances adjusted against sanctioned grants

24730 UCs pending for Rs 513.90 crore followed by Department of Agriculture, Animal Husbandry, Dairy Development and Fisheries (5759 UCs for Rs 277.17 crore). As regards UCs for loans, the worst defaulter was the Department of Industries, Energy and Labour which had 1889 UCs outstanding for Rs 29.64 crore. Details of departmentwise break-up of outstanding UCs are given in Appendix XXIII.

5.5 Delay in submission of accounts

In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government is required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. Information for the year 2000-2001 called for in March 2001 was awaited as of 31 August 2001 from 25 departments of Government. The following departments had not furnished the information for the years as indicated below :

Year(s) for which information was awaited	Name of Department
1998-1999 to 2000-2001	Agriculture, Animal Husbandry, Dairy Development and Fisheries
1997-1998 to 2000-2001	Co-operation and Textiles
1993-1994 to 1995-1996, 1997-1998 to 1998-1999 and 2000-2001	Environment
1999-2000 to 2000-2001	Finance
1994-1995 to 1995-1996 and 1998-1999 to 2000-2001	Food, Civil Supplies and Consumer Protection
2000-2001	General Administration
1995-1996 to 1998-1999 and 2000-2001	Higher and Technical Education
1993-1994 to 2000-2001	Home
1999-2000 to 2000-2001	Housing and Special Assistance
1999-2000 to 2000-2001	Industries, Energy and Labour
1998-1999 to 2000-2001	Irrigation
1999-2000 to 2000-2001	Law and Judiciary
1999-2000 to 2000-2001	Legislature Secretariat
1999-2000 to 2000-2001	Medical Education and Drugs
1997-1998 and 1999-2000 to 2000-2001	Planning
1994-1995 to 2000-2001	Public Health
1993-1994 to 1995-1996 and 1997-1998 to 2000-2001	Public Works
1991-1992 to 1993-1994, 1996-1997 to 1997-1998 and 2000-2001	Revenue and Forests
1991-1992 to 1995-1996 and 1998-1999 to 2000-2001	Rural Development and Water Conservation
1996-1997 to 2000-2001	School Education

Year(s) for which information was awaited	Name of Department
1998-1999 to 2000-2001	Social Welfare, Cultural Affairs and Sports
1991-1992 to 1996-1997 and 1998-1999 to 2000-2001	Tribal Development
1999-2000 to 2000-2001	Trade and Commerce
1998-1999 to 2000-2001	Urban Development
1993-1994 to 2000-2001	Women and Child Development

5.6 Abstract of performance of the autonomous bodies

The audit of accounts of the following bodies has been entrusted to the Comptroller and Auditor General of India for periods as indicated below :

Sr. No.	Name of body	Period of entrustment	Date of entrustment
1	Maharashtra Housing and Area Development Authority, Mumbai	1.4.1998 to 31.3.2003	16.10.1998
2	Maharashtra State Khadi and Village Industries Board, Mumbai	1.4.1997 to 31.3.2002	31.12.1996
3	Maharashtra Jeevan Pradhikaran, Mumbai	1.4.1997 to 31.3.2002	26.02.1998
4	Mumbai Metropolitan Region Development Authority, Mumbai	1.4.1999 to 31.3.2004	09.02.1999
5	Maharashtra State Commission for Women, Mumbai	1.4.1999 to 31.3.2003	07.07.1999
6	Maharashtra Maritime Board, Mumbai	1.4.1996 to 31.3.2001	25.02.1999
7	Krishna Valley Irrigation Development Corporation	1.4.1996 to 31.3.2001	17.5.2001
8	Konkan Irrigation Development Corporation	1.1.1998 to 31.3.2003	17.5.2000
9	Vidharbha Irrigation Development Corporation, Nagpur	1.4.1997 to 31.3.2002	6.11.2000
10	Tapi Irrigation Development Corporation, Jalgaon	1.1.1998 to 31.3.2003	6.11.2000
11	Godavari Marathwada Irrigation Development Corporation, Aurangabad	17.8.1998 to 31.3.2004	6.11.2000

Out of the eleven autonomous bodies whose audit has been entrusted to the Comptroller and Auditor General of India, the first audit of 3* autonomous

*Vidarbha Irrigation Development Corporation, Nagpur, Tapi Irrigation Development Corporation, Jalgaon and Godavari Marathwada Irrigation Development Corporation, Aurangabad bodies have not yet been taken up. The performance of the other autonomous bodies have been given in Appendix XXIV.

5.7 Audit arrangements

Primary audit of local bodies (Zilla Parishads, Nagar Palikas, Town Areas/Notified Area Committees, Panchayati Raj Institutions, Krishi Vidyapeeths, Municipal Councils and Nagpur Municipal Corporation) is conducted by the Chief Auditor, Local Fund Accounts.

Of the 336 bodies/authorities whose accounts for 1999-2000 were received in the audit office, 335 bodies/authorities attracted audit.

Certain interesting points arising out of audit under Section 14, 15 and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service)Act, 1971 are as follows :

AGRICULTURE, ANIMAL HUSBANDRY, DAIRY DEVELOPMENT AND FISHERIES DEPARTMENT

5.8 Unfruitful expenditure on Artificial Insemination Project

Non-assessment of the viability of a research project before release of grant-in-aid resulted in unfruitful expenditure of Rs 50 lakh.

The University of Pune proposed a research project "Application of Technological Development in Artificial Insemination to field Trials" at an estimated cost of Rs 4 crore in February 1998 with a view to increase the birth of female calves; to increase the success rate of insemination and to provide more rugged handling of semen which was approved by Government in February 1999. Government sanctioned grant-in-aid of Rs 50 lakh in March 1999 for purchase of Laboratory equipment, glassware and furniture subject to final approval of the Memorandum of Understanding (MoU) between the University and the Government. The amount of Rs 50 lakh was drawn on 31 March 1999 and paid to the University on 30 June 1999 by the Commissioner of Animal Husbandry, Pune. The University purchased equipments like computers and semen analysers etc out of the above grants for Rs 50.82 lakh.

Scrutiny of records of the Commissioner of Animal Husbandry, Pune in September 2000 revealed that the Chairman of the Enquiry Committee appointed by University to examine the entire issue and to finalise the draft of MoU expressed (February 2000) that there may not be a guaranteed success of this project and that high claims had been unnecessarily projected which do not conform to academic ethics and cautioned the Government about considerable waste of money and the need for a thorough examination of the project before release of money. In view of the above remarks, the Government asked for a second opinion and the Department referred the matter to two experts in the field. The experts opined that the benefits of the project were hypothetical and not fully consonant with reality; the technology suggested was not supported by work of similar nature carried out in other dairy developed countries; tests should be carried out on few selected animals followed by field testing in farmer cows inhouse at Cattle Breeding Farm owned by Government where the reproductive health of cows could be well monitored by the Department followed by field testing in farmer cows in a selected block. Neither the principal investigator nor the principal co-investigator of University possessed requisite educational qualifications to handle the project of this nature.

The Secretary stated in December 2001 that the findings of the experts was forwarded to Government by the Department in October/November 2000. Further, the objective proposed in MoU by Pune University (February 2000) is totally different from the initial objectives. As such it is decided not to fund the project further. He also stated that the action would be taken to transfer the equipments to Animal Husbandry Department for use on their ongoing activities. The reply is not acceptable as the non-assessment of the viability of the research project before release of grants, especially when the Department has been implementing other artificial insemination programmes**,** resulted in rendering the expenditure of Rs 50 lakh unfruitful.

CO-OPERATION AND TEXTILES DEPARTMENT

5.9 Financial assistance to co-operative societies

5.9.1 Details of the loans and share capital contribution to co-operative societies in the State as well as the assistance given to them as grants and subsidies during the three year period from 1998-99 to 2000-2001, compiled on the basis of information furnished by the Department, are indicated in the following table :

	1998-99		1999-2000		2000-2001	
	Number of societies	Amount (Rupees in crore)	Number of societies	Amount (Rupees in crore)	Number of societies	Amount (Rupees in crore)
1. Grant and subsidies	6351	9.84	13296	45.29	3769	3.33
2. Loans	361	40.11	274	11.22	147	11.59
3. Share Capital	17921	748.07*	17976	795.12*	18230	819.52*

5.9.2 Investment by the State Government in the share capital of co-operative societies at the end of March 2001 amounted to Rs 819.52 crore and the dividend earned during the year was Rs 0.47 crore only, representing a meagre return of 0.06 *per cent*. Out of 18230 societies in which Government had invested Rs 819.52 crore as of March 2001, only 7360 societies earned profit and only 164 societies declared dividend. The following table indicates the details of the investments and dividends received during the three year period from 1998-99 to 2000-2001.

Year	Investments		Dividends	
	Number of societies	Total investment (Rupees in crore)	Number of societies	Dividends received (Rupees in crore)
1998-1999	17921	748.07	218	0.48@
1999-2000	17976	795.12	237	0.61
2000-2001	18230	819.52	164	0.47

5.9.3 The recoveries of loans and receipt of interest from societies were tardy resulting in large accumulation of overdue amounts as follows :

Year ending 31 March	Number of societies	Overdue amount (Rupees in crore)	
		Principal	Interest
1999	2807	24.31	14.01^
2000	1712	30.43	17.35*
2001	2467	22.84	11.25$

* Represents the progressive figures of investments by way of share capital at the close of the years. Differs from figures in Statement 14 of Finance Accounts. The difference has not been reconciled by the Department.

@ Exclusive of dividend of Rs 0.05 crore declared by 2 societies but not credited to Government up to 31 March 1999.

^ Inclusive of penal interest of Rs 1.71 crore.

* Inclusive of penal interest of Rs 2.09 crore

$ Inclusive of penal interest of Rs 0.88 crore.

5.9.4 Government had also guaranteed repayment of loans raised by several co-operative societies. As of 31 March 2001, Rs 438.71 crore was guaranteed by Government in respect of loans taken by 73 societies, of which Rs 396.36 crore was outstanding and Rs 49.80 crore was paid by Government on account of invocation of guarantees in respect of loans raised by 43 defaulting societies.

5.9.5 Upto the end of the year 2000-2001, Government paid grants and subsidies amounting to Rs 52.52 crore to 45149 societies. The utilisation certificates in respect of Rs 1.18 crore were awaited from 1161 societies. The department stated that the District Deputy Registrars of Co-operative Societies had been asked to obtain the wanting utilisation certificates early.

5.9.6 The position regarding performance of 19962 societies in respect of Government assistance as at the end of the financial year 2001 compiled on the basis of information made available by the Department is summarised in the following table :

Category	**Financial assistance by Government (Rupees in crore)**			
	Number of societies	**Share Capital**	**Loans**	**Subsidy/ Grant**
1. Societies which earned profit	7360	114.66	41.07	23.31
2. Societies which incurred loss	9785	216.96	51.80	26.89
3. Societies under liquidation	1787	22.85	11.38	2.02
4. Societies not functioning	635	36.10	4.11	0.52
5. Societies in initial stage of working	220	36.53	38.82	0.24
6. Societies whose accounts were awaiting finalisation	168	0.24	0.04	--
7. Societies whose working results had not been received by the Registrar of co-operative societies	7	0.06	0.03	0.09
Total	**19962**	**427.40**	**147.25**	**53.07**

5.9.7 Number of co-operative societies which earned profits/ incurred losses during the three year period ending March 2001 was as follows:

Year ending	**Number of societies**	**Profit (Rupees in crore)**	**Number of societies**	**Loss (Rupees in crore)**
March 1999	6187	39.56	6945	95.76
March 2000	7109	51.72	10024	130.65
March 2001	7360	50.71	9785	111.51

5.9.8 At the end of March 2001, cases of misappropriation and shortages involving a total sum of Rs 30.35 crore in 6577 societies had been reported by the Department. The details were as follows :

	Sum involved in			
	Number of societies	**Misappr-opriation**	**Shortages**	**Total**
		(Rupees in crore)		
Cases pending up to 31 March 2000	6519	26.63	0.27	26.90
Less : Cases finalised during 2000-2001	91	0.17	--	0.17
Add : Fresh cases reported during 2000-2001	149	3.62	--	3.62
Cases pending as on 31 March 2001	6577	30.08	0.27	30.35

5.9.9 In accordance with the provisions of the Co-operative Societies Act, 1960 the accounts of co-operative societies which receive financial assistance from Government are required to be audited annually either by the Registrar of Co-operative Societies or by a person authorised by him. As on 31 March 2001, the accounts of 38672 Government-aided societies remained unaudited as indicated below :

Number of years for which accounts were not audited	**Number of societies**
5 years and above	6967
4 years	361
3 years	5224
2 years	10210
Upto one year	15910
Total	**38672**

The arrears in audit were attributed by the Department to shortage of staff, non-availability of records, records being either incomplete or retained by the police and courts.

The Department has to assess and recover audit fees from the co-operative societies. Recovery of audit fees totalling Rs 11.29 crore was in arrears for varying periods at the end of March 2001 indicated as follows:

Period for which recovery of audit fees was in arrears	**Amount (Rupees in crore)**
Four years and above but less than five years	0.69
Three years and above but less than four years	0.78
Two years and above but less than three years	0.91
One year and above but less than two years	1.63
Upto one year	7.28
Total	**11.29**

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

5.10 Diversion of Tenth Finance Commission grants

The Tenth Finance Commission grants of Rs 75.90 crore was irregularly diverted by local bodies for implementation of Rural Sanitation Programme.

The Tenth Finance Commission (TFC) recommended under Article 275 of the Constitution, *ad hoc* grants of Rs 347.01 crore to the State to enable them to supplement the resources of the Panchayat Raj Institutions (PRIs) as well as Urban Local Bodies. The Government of India (GOI), however, released only Rs 216.88 crore to the Government of Maharashtra.

As per guidelines issued by GOI (October 1997) the projects qualifying for grants under the Scheme should normally be those not covered under any other Schemes. The guidelines further laid down that the local bodies should provide matching contributions not less than the grants received under TFC.

The State Government also issued guidelines in the matter from time to time according to which 35 *per cent* of TFC funds were earmarked for Rural Sanitation Programme (RSP) a Centrally Sponsored Scheme, which was already in existence and was thus not eligible for funding through TFC grants. In violation of GOI orders, State Government advised (July 1998) that TFC grants could be utilised by the Zilla Parishads (ZPs) as their share towards RSP.

Scrutiny of records related to the implementation of the scheme by the ZP, Satara, in February 2001 and ZP, Sangli in September 2001 revealed that TFC grants of Rs 7.50 crore released to the ZPs from 1996-97 to 1999-2000 were utilised for the Sanitation Programme - Construction of Individual Latrines, as ZP's share.

Thus, contrary to the GOI guidelines, TFC grants were irregularly utilised for an ongoing Centrally Sponsored Scheme. Further, TFC funds were utilised as the share of ZPs to an existing Central scheme, which amounted to diversion of funds. As the State Government authorised the use of 35 *per cent* of TFC grants for RSP, considering the total TFC grants of Rs 216.88 crore received by the State during the years 1996-97 to 1999-2000, the total amount so diverted amounted to Rs 75.90 crore.

The Secretary stated (August 2001) that as per para 9 of GOI guidelines for utilisation of the funds received under TFC, the funds were to be utilised by local bodies on schemes related to their primary functions. Further, considering the financial position of these bodies, Government allowed utilisation of the TFC funds towards their share for implementation of the scheme under RSP, which is also one of the primary functions of the local bodies.

The reply of the Secretary is not tenable as it is contrary to the GOI guidelines and as such, specific approval from GOI was necessary.

5.11 Idle investment on incomplete school building

Commencement of construction of a school building without acquisition of the land resulted in stoppage of work after incurring an expenditure of Rs 30.84 lakh.

The Maharashtra Public Works Manual provides that no work should be commenced on a land, which has not been acquisitioned and duly made over by the Land Acquisition Officer. When tenders for a work 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 works.

In October 1994, the President, Zilla Parishad (ZP), Osmanabad approved construction of a school building at Bhoom at an estimated cost of Rs 52.13 lakh including the land cost of Rs 1.75 lakh. Audit scrutiny of records (June 1999) of the Executive Engineer, Public Works Division, Osmanabad (EE) revealed that the Education Officer, ZP, Osmanabad took possession of the land required for the building in October 1994 on the basis of "Taba Pavati" (consent of the landowners to sell their land at government rates) and handed it over to the EE in October 1994. In the same month, the EE entrusted the work to a contractor at the tendered cost of Rs 36.21 lakh for completion in 24 months. Due to non-receipt of compensation for the land, the landowners protested against construction of the building on their land and hence the work was stopped since April 1997 by which time Rs 30.84 lakh had already been spent on the work. The landowners issued legal notice in December 1997 claiming Rs 10 lakh as compensation for the land. Formal process for the land acquisition was started in June 1998 only.

Thus, due to the failure of the Education Officer, ZP, Osmanabad to acquire the land properly through the land acquisition authorities and failure of the EE to ensure acquisition of the land before awarding the work, the school building remained incomplete for over 4 years and expenditure of Rs 30.84 lakh was unfruitful.

The EE stated (May/September 2001) that the process of land acquisition initiated in June 1998 had not been finalised and the work was not restarted. The Chief Executive Officer, ZP, Osmanabad stated (September 2001) that proposal for taking disciplinary action against the officers responsible for the irregularities had been submitted to the Divisional Commissioner, Aurangabad in August 2001.

The matter was referred to the Secretary to the Government in June 2001 and followed up with reminder in September 2001. However, no reply has been received (December 2001).

WATER SUPPLY AND SANITATION DEPARTMENT

5.12 Unfruitful expenditure on construction of rural sanitary latrines

Ineffective monitoring of the Rural Sanitation Programme resulted in unfruitful expenditure of Rs 6.82 crore on sanitary latrines.

With a view to create hygienic awareness amongst the people and to provide sanitation facilities in rural areas, a scheme of construction of rural sanitary latrines was being implemented in the State from 1987-88 under the Centrally sponsored Rural Sanitation Programme (CRSP). Against the total cost of Rs 4000 per latrine, subsidy of Rs 1000, Rs 1500 and Rs 1000 was payable by the Central Government, State Government and the Zilla Parishad respectively. The balance of Rs 500 was to be borne by the beneficiary in cash or in the form of labour. As per the guidelines issued by Government of India (March 1991), construction of the sanitary latrines was to be taken up if there were minimum demand from 20-100 households of a village. The scheme was to be monitored through regular field inspections by the State and District level officers *inter alia* to ensure proper use of the sanitary latrines. In case of unintended use of the latrines, the subsidy paid for construction was to be recovered from the concerned beneficiaries.

Scrutiny of records (November 2000) of the Deputy Chief Executive Officer (Dy. CEO), General Administration Department, Zilla Parishad, Jalna revealed that 34,845 sanitary latrines were constructed during 1996-97 to 1998-99 under CRSP at a total cost of Rs 13.94 crore. Out of which, 19473 sanitary latrines costing Rs 7.79 crore were either used as store room, bathroom, cattle shed etc or not being used at all. Thus, the expenditure of Rs 6.82 crore (excluding share of the beneficiaries) incurred on construction of 19473 sanitary latrines did not fulfill the intended purpose.

The Deputy CEO, Zilla Parishad, Jalna stated that the matter regarding misuse/non use of 19473 latrines was already reported to the Water Supply and Sanitation Department of the Government in October 1999. He also added that the programme was target oriented and not demand oriented.

The reply of the Deputy CEO was not tenable as the scheme envisaged implementation after ascertaining minimum demands of the villagers. Large-scale misuse and non-use of the facility only reflects the ineffective monitoring of the scheme and ineffective motivation of the villagers. Further, the Zilla Parishad did not make efforts to recover the subsidy of Rs 6.82 crore from the beneficiaries who did not use the facility for the intended purpose.

The Secretary, Water Supply and Sanitation Department admitted (July 2001) that the latrines constructed must be used for the purpose for which it was meant, but recovery of the subsidy from the beneficiaries who were misusing the facilities was not the way out to inculcate the habit of proper use of latrines amongst the people. The reply does not address the main issue of construction of large number of latrines without ensuring their proper utilisation.

HOUSING AND SPECIAL ASSISTANCE DEPARTMENT

MAHARASHTRA HOUSING AND AREA DEVELOPMENT AUTHORITY

5.13 Extra expenditure on payment of sewerage charges

Sewerage charges of Rs 3.49 crore was paid by the Board to Brihanmumbai Municipal Corporation for colonies where the sewerage system was not maintained by them.

The Mumbai Housing and Area Development Board (Board) paid Rs 11.57 crore to the Brihanmumbai Municipal Corporation (BMC) as water charges for four water supply connections for varying periods from September 1989 to February 2001 in two of its housing colonies (Tagore Nagar and Kannamwar Nagar, Vikhroli) in Mumbai. The correctness of the charges billed by the BMC was not verifiable as the bills were raised on the basis of assessed consumption and not on actual metered consumption, as the water meters' were either defective or not available. The Board paid the water charges to avoid disconnection of water supply to colonies by BMC.

According to the provisions of Sewerage and Waste Removal Rules of the BMC, wherever premises are connected to municipal sewer and or any other municipal infrastructure, BMC may levy sewerage charges at the rates prescribed from time to time as a *per centum* of water charges. On the contrary, if the premises are not connected to municipal sewer, and or any other municipal infrastructure and water is supplied by unmetered or metered water connection, BMC may levy sewerage tax at the rate prescribed as a *per centum* of the rateable value of the property tax.

In the two colonies at Tagore Nagar and Kannamwar Nagar, Vikhroli, though water supply was provided by BMC, yet the sewerage/drainage network was entirely handled and maintained by the Board. Moreover, the premises were not connected to municipal sewer or any other municipal infrastructure and hence sewerage tax was leviable instead of sewerage charges actually levied. Nevertheless, in contravention of the provisions of the Sewerage and Waste Removal Rules, the water charges of Rs 11.57 crore levied by the BMC and paid by the Board included sewerage charges aggregating Rs 3.86 crore instead of sewerage tax aggregating Rs 37 lakh leviable in respect of four water connections in two of the housing colonies at Vikhroli for periods varying from September 1989 to February 2001. A scrutiny of records of Executive Engineer, Chembur division revealed that during its discussion with BMC, Board failed to bring out the point that as the sewerage network in both the colonies was not connected to a municipal sewer or any other municipal infrastructure, only sewerage tax was payable as per rules and not the sewerage charges. Thus the matter was not effectively pursued by Board with BMC.

Thus, the payment of sewerage charges of Rs 3.86 crore instead of sewerage tax of Rs 37 lakh payable to BMC, involved extra expenditure of Rs 3.49 crore.

The matter was referred to the Secretary in July 2001. No reply has been received (December 2001).

5.14 Irregular expenditure on Government activities

Maharashtra Housing and Area Development Authority spent Rs 43.57 lakh on Government activities by diverting funds allocated for earmarked activities of Mumbai Building Repairs and Reconstruction Board and Mumbai Slum Improvement Board.

The directives issued by the State Government (January 1993, December 1993 and October 1998) prohibited State Owned Corporations/Autonomous Bodies/Other Public Sector Undertakings from incurring expenditure on furniture or for furnishing/renovating the offices/chambers of Ministers and officials in Mantralaya buildings, on the ground that this was an improper practice that led to unproductive expenditure. Copies of these directives were also endorsed to Maharashtra Housing and Area Development Authority (MHADA) for information and compliance.

In disregard of these directives, MHADA spent Rs 16 lakh (May 2000) on the interior decoration of the Chamber, Ante-room, Meeting Hall and Office Area of the Minister for Housing in the Mantralaya building. The work was executed (May 2000) by MHADA, on the directives of the Minister, as per MHADA's office note of 31 March 2001. On the plea of urgency, the work was done without the approval of MHADA through a private agency without inviting tenders. The expenditure of Rs 16 lakh was met by diverting funds allocated to Mumbai Building Repairs and Reconstruction Board and Mumbai Slum Improvement Board for their earmarked activities.

Similarly, at the instance of the Housing and Special Assistance Department, MHADA also incurred the following expenditure (between October 1991 and

March 2001) on activities, which were legitimately required to be met by the Housing and Special Assistance Department of the State Government.

Item	Expenditure (Rupees in lakh)
1. Newspaper Publicity on the completion of one year of the Ministry	10.89
2. Advertising cost of display boards for Government messages	3.62
3. Supply of vehicles to the Housing and Special Assistance Department	8.59
4. Provision of staff to the Housing and Special Assistance Department	2.05
5. Supply of office equipment and mobile phones to the Housing and Special Assistance Department	2.42
Total	**27.57**

Thus, the total expenditure of Rs 43.57 lakh incurred by MHADA on the Housing and Special Assistance Department was in contravention of the Government directives.

The matter was referred to the Secretary in July 2001. No reply has been received (December 2001).

5.15 Undue favour to a co-operative housing society

Maharashtra Housing and Area Development Authority allotted land to a co-operative housing society in excess of the norms which resulted in loss of revenue of Rs 15.82 lakh. Further, Government decided not to apply revised rates to the society, thus unduly favouring the Society and causing a revenue loss of Rs 73.73 lakh.

Government decided (October 1997) to allot about 4000 sq metres of land at Dindoshi, Malad, Mumbai to a proposed co-operative housing society (Society) of the employees of the daily 'Saamana'. The area of 4000 sq metres of land was worked out on the basis of a total of 100 flats to be constructed for 100 members as indicated by the proposed society. Accordingly, MHADA issued an allotment letter (January 1998) to the Society asking for payment of cost of land as per their prevailing pricing policy.

In July 1998, MHADA advised the Society to pay Rs 24.98 lakh towards the cost of land (area : 4002 sq metres) comprising lease premium and capitalised value of annual lease rent within 30 days and interest at the rate of 16 *per cent per annum*, thereafter, upto 3 months. The Society paid the sum in five instalments during August 1998 and November 1998 of which four instalments were paid after the stipulated period of 30 days. The interest of Rs 0.42 lakh on the delayed payments was not recovered from the Society (Annexure I).

The final list of members of the Society submitted in March 1999 to MHADA showed only 63 eligible members as against proposed 100 members for which the total area required was only 2312 sq metres and thus an area of 1690 sq metres was surplus. While the cost of 2312 sq metres with specified categories of beneficiaries worked out to Rs 13.48 lakh, the cost of the surplus area of 1690 sq metres at the rate applicable to High Income Group (HIG) tenements (in the absence of any restrictive condition, the Society will be free to allot surplus land to outsiders to fetch maximum price) worked out to Rs 27.32 lakh making the total cost of the land as Rs 40.80 lakh. As against this, only Rs 24.98 lakh was recovered resulting in a loss of Rs 15.82 lakh to MHADA (Annexure II). The handing over of the possession of the land to the Society (July 1999) violated Government guidelines which stipulates that possession of land should not be made unless the final list of members is ready.

In September 1998, MHADA revised its pricing policy and decided to charge prevailing market rate for the land allotted to the co-operative societies including those allotted as per Government directives. The revised pricing policy was applicable to all cases where allotment had been made but payments were not made in full or possession of land had not been handed over. Since the Society had not made the payment in full and the possession of land was not handed over, the revised policy was applicable to it. However, Government in Housing and Special Assistance Department directed (February 1999) that the revised policy should not be made applicable to the Society as the date of allotment of the land to the Society was prior to the date of Resolution. As per Government directive the matter was placed in the subsequent meeting of the Authority and vide Resolution 5417 of 15 March 1999, the condition of not handing over possession/ non-payment of full amount was withdrawn from the Resolution of September 1998, thus making the Society eligible for payment at pre-revised rates. This undue favour shown to the Society by the Government resulted in MHADA having to forego potential revenue of Rs 73.73 lakh (Annexure III).

The matter was referred to the Secretary in July 2001. No reply has been received (December 2001).

ANNEXURE I
PENAL INTEREST ON DELAYED PAYMENTS

Date of payment	Due date	Delay in days	Amount paid (Rupees)	Interest (@ 16 *per cent per annum*)
01.08.1998	31.7.98	--	11,25,000	--
17.08.1998	31.7.98	16	2,50,000	1,753
22.09.1998	31.7.98	52	1,50,000	3,419
13.10.1998	31.7.98	73	4,20,000	13,440
06.11.1998	31.7.98	97	5,53,207	23,523
Total			**24,98,207**	**42,135**

ANNEXURE II
STATEMENT SHOWING THE DETAILS OF AMOUNT RECOVERABLE TOWARDS LEASE PREMIUM AND LEASE RENT

Category	No. of members	Area (sq metres)		Rate per sq metres in Rupees	Amount of lease premium (4) x (5)	Rate of lease rent (*per cent)*	Amount of lease rent (6) x (7) in Rupees	Capitalised value of lease rent (8) x 12.5
		Per tenement	Total (2)x(3)					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
LIG	42	30	1,260	320	4,03,200	1.5	6,048	75,600
MIG	19	50	950	624	5,92,800	1.5	8,892	1,11,159
HIG	2	51	102	1,232	1,25,664	2.5	3,142	39,275
Total	63		2,312		11,21,664	2.5	19,184	2,26,025
Add : Surplus Area			1,690	1,232	20,82,080		52,052	6,50,650
Total			4,002		32,03,744		71,205	8,76,675
cost recovery effected	100		4,002		21,03,264		31,549	3,94,363
Difference					11,00,480		39,656	4,82,312

Lease premium	11,00,480
Capitalised value of lease rent	4,82,312

Potential revenue foregone	**15,82,792**

ANNEXURE III

COST BASED ON THE PREVAILING MARKET RATE OF Rs 3000 PER SQUARE METRE

Category	**Area (sq. metres)**	**Rate per sq metres**	**Amount of lease premium (2) x (3)**	**Rate of lease rent (*per cent*)**	**Amount of lease rent (4)x(5)**	**Capitalised value of lease rent (6) x 12.5**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
LIG	1,260	750	9,45,000	1.5	14,175	1,77,188
MIG	950	1,500	14,25,000	1.5	21,375	2,67,188
HIG	102	3,000	3,06,000	2.5	7,650	95,625
Total	2,312		26,76,000			5,40,001
Surplus area	1,690	3,000	50,70,000	2.5	1,26,750	15,84,375
Total cost	4,002		77,46,000			21,24,376
Amount recovered			21,03,264			3,94,363
Difference			56,42,736			17,30,013

Lease premium	56,42,736
Capitalised value of lease rent	17,30,013

Potential revenue foregone	**73,72,749**

5.16 Idle investment on construction of sewerage treatment plant

Failure to implement the instructions under the Coastal Regulation Zone before taking up construction resulted in idle investment of Rs 1.64 crore.

The Maharashtra Housing and Area Development Authority (MHADA) accorded approval in June 1992, for development of 5038 residential and amenity plots at Charkop (IV) at Kandivili (West), Mumbai at an estimated cost of Rs 9.62 crore. The development of the plot was undertaken as a part of World Bank Project (Project). The Brihanmumbai Municipal Corporation (BMC) also gave its approval in September 1993 for the scheme, despite the fact that the entire site fell under the Coastal Regulation Zone (CRZ) as per Government of India (GOI), Minister of Environment and Forest (Ministry), notification of February 1991 under the Environment (Protection) Act and Rules, 1986 and required the approval of GOI for any construction at the site. However, MHADA had developed and allotted 4974 residential and 15 non-residential plots upto 1994. The State Government also issued (March 1995) instructions to MHADA to ensure that there was no violation of the instruction of the above notification in developing the area.

The BMC advised (March 1993) MHADA to have a separate Sewerage Treatment Plant (STP) constructed at the site, as the existing sewerage system of the BMC was not capable of carrying the additional load from the scheme. MHADA decided in July 1993 to construct an STP at an estimated cost of Rs 1.35 crore. BMC gave the necessary approval to the scheme in October 1994. The work was taken up for execution by the Board in December 1996 and completed in July 1998 at a total cost of Rs 1.48 crore. The construction of office building, compound wall, sludge drying beds and pathways for the STP was also simultaneously taken up at a cost of Rs 16.41 lakh, thus taking the total cost of the STP to Rs 1.64 crore.

GOI approved the Coastal Zone Management Plan of the State in September 1996, subject to the condition that no construction activity on these plots was permitted until the CRZ-II areas were demarcated by delineating the High Tide Line (HTL) by a Committee under the Chief Secretary. As this was not done till date, the BMC had not given any permission to the allottees to undertake any construction. Besides, GOI has directed (January 2000) that *status quo* be maintained on the entire MHADA layout at Charkop–(IV) at Kandivili (West). Consequently the STP and the machinery remained unutilised since July 1998 and the Board has incurred an expenditure of Rs 3 lakh on its watch and ward and maintenance till date.

The development of plots and the construction of STP without completing the CRZ formalities as stipulated by the GOI for taking up construction activities, resulted in idle investment of Rs 1.64 crore and an avoidable recurring expenditure on watch and ward and maintenance.

The matter was forwarded to the Secretary (July 2001) for a reply within six weeks. The Secretary stated (November 2001) that (a) MHADA had carried out the works at Charkop (IV) (including STP) after obtaining necessary approvals from BMC, (b) no intimation was received by MHADA from BMC regarding CRZ notification or that Charkop IV layout was coming under CRZ regulations or otherwise while granting such approvals and also work was never stopped by BMC during the execution of the STP and (c) BMC has neither demarcated/clarified/intimated the HTL to MHADA.

The reply of the Secretary is not acceptable as (a) both (BMC and MHADA) being Government organisations can not plead ignorance of the GOI notification, (b) the Supreme Court directives of March 1995 forbidding the State Government to take up any activities that have been prohibited under CRZ were communicated to MHADA by the State Government in April 1995 i.e. even before execution of work in December 1996 and (c) approval of the plan by BMC or sanction by the competent authority is no justification for taking up the work for execution, when the uncertainty of the use of the STP was clearly known. The investment on the construction of the plant continues to be idle, as clearance from GOI is still awaited.

5.17 Avoidable payment of penal interest

Delay in payment of interest and principal resulted in payment of penal interest of Rs 89.87 lakh.

The Maharashtra Housing and Area Development Authority (MHADA) took loans (between January 1994 and May 2001) aggregating Rs 5.44 crore from the Housing and Urban Development Corporation Ltd. (HUDCO) for six of its housing schemes. As per the loan agreement MHADA would get a rebate on interest for prompt payment of interest and repayment of the principal on or before the due dates. The agreement further stipulated that in the event of default in regular payment of interest/instalments of loan, MHADA would have to pay penal interest and additional interest at the rate of 2.5 *per cent*.

In case of the above mentioned loans, MHADA delayed the payment of interest/repayment of principal for periods ranging from 13 to 60 months and consequently had to pay additional/penal interest of Rs 89.87 lakh (Details contained in the annexure).

According to MHADA, the delay in payments had taken place on account of the failure of the Divisional Accountant (DA), in making the necessary entries of the respective disbursements in the relevant loan ledgers. MHADA held the DA solely responsible for the lapse and administrative action had been proposed against him.

MHADA does not have any written or codified procedure regulating the accounting system in this respect. As per the conventional procedure receipt of loan instalment and its repayment in case of HUDCO loans is recorded by the DA attached to the HUDCO cell. These entries are to be checked by the Asstt.Accounts Officer, the Executive Engineer and the Chief Engineer. The receipts are required to be reconciled with the Financial Controller's (FC) accounts. In this case, none of these control functions were operative and evidently all the concerned officials were accountable for this lapse, which led to such avoidable expenditure.

Though, the senior officials in MHADA, evidently failed to monitor the accountal of loan receipts and repayment and carry out the required reconciliation, MHADA fixed responsibility only on the DA, who is the lowest functionary.

MHADA's failure to adhere to the conventional procedure resulted in a loss of Rs 89.87 lakh. Unless accountability of such loss is properly fixed and a formal system is put in place the risk of similar loss, etc will persist.

The matter was referred to the Secretary in July 2001. No reply has been received (December 2001).

Annexure

Sr. No.	**Scheme No.**	**Amount of Loan**	**Amount of instalment of loan on which payment of interest etc. was delayed**		**Amount of additional/penal interest paid**	
			Amount	**Date of disbursement**	**Amount**	**Date of Payment**
		(Amount in lakh of Rupees)				
1.	11351	352.88	74.24 48.51	27.3.96 31.3.97	73.98	28.3.2001
2.	11787	60.99	6.00	27.3.96	9.82	13.12.2000
3.	12936	18.29	4.49	04.12.98	1.64	08.12.2000
4.	10154	30.48	6.52	27.3.96	3.18	16.11.2000
5.	14462	30.59	2.84	09.9.99	0.58	08.12.2000
6.	14505	50.84	9.11	31.3.99	0.67	10.11.2000
Total		**544.07**	**151.71**		**89.87**	

5.18 Loss on reconstruction of a building

Reconstruction of a building as per Government directives resulted in a loss of Rs 54.27 lakh.

Government approved (May 1990), the reconstruction of a dilapidated building of “Amchi Savali Co-operative Housing Society” (Society) under the Urban Renewal Scheme (URS) and entrusted it to the Rajiv Gandhi Zopadpatti Sudhar and Nivara Prakalp (Project) of the Maharashtra Housing and Area Development Authority (MHADA). The Project accorded administrative approval to the Scheme (May 1992) at an estimated cost of Rs 74.41 lakh and concluded an agreement with the Society in July 1992. The Brihanmumbai Municipal Corporation approved the plans for the new building consisting 79 residential and 6 non-residential tenements in May 1993.

The URS provided for the reconstruction of dilapidated buildings and allotment of the reconstructed tenements to the original occupiers on ownership basis. As per the scheme, the surplus area in the reconstructed building was to be utilised commercially for cross subsidising the cost to the original tenants and for making the scheme self-financing. The guidelines for the URS prescribed a cost ceiling of Rs 42,000 per tenement which included an outright subsidy of Rs 5400 from the Project and cross subsidy up to Rs 7500 and the balance was to be a loan, repayable in instalments of not exceeding Rs 180 per month for a period of 25 years.

In this case, the agreement with the Society stipulated a down payment of Rs 5000 and payment of monthly instalment of Rs 180 for 25 years towards repayment of the loan portion of the scheme by each tenant. As the recovery from the tenants was very little compared to the cost of construction of the tenements, the Project did not take up the reconstruction of the building. However, in view of the agreement with the Society, MHADA, in June 1994 decided to recover a cost of Rs 47,000 from each tenant in three instalments. The revised terms were not acceptable to the Society, and it approached the Minister of Housing who decided (August 1996) to enhance the monthly instalment from Rs 180 to Rs 250 and to recover down payment of Rs 5000 from each tenement on completion of reconstruction work. Despite the Project authority's protest and apprehension of a loss of about Rs 45 lakh on implementation of the scheme, the Government directed the Project to take up the scheme for execution (December 1996).

In April 1997, MHADA transferred the Scheme to its Mumbai Building Repairs and Reconstruction Board (Repair Board). The Repair Board accorded revised administrative approval of Rs 1.10 crore to the scheme (October 1997). As per Government directives (April 1998) the Repair Board took up the reconstruction work of the building and completed it in September 1999 at a total cost of Rs 1.07 crore.

MHADA, on the directives of Minister for Housing (September 2000), decided to recover from each beneficiary Rs 5000 as initial down payment and Rs 17,255 in lump sum for residential tenements at twice the rate of actual construction for non-residential tenement and at the rate of Rs 1500 per sq feet for surplus tenements. Consequent to this decision, the Repair Board allotted all the tenements. The total amount recoverable from the allottees of 70 residential, 6 non-residential and 9 surplus tenements worked out to only Rs 49.24 lakh (after allowing the subsidy and cross subsidy from the sale of surplus tenement), while the cost was Rs 1.07 crore.

Thus, MHADA incurred a loss of Rs 54.27 lakh in executing a reconstruction scheme, on the directives of the Government.

The matter was referred to the Secretary in July 2001. As per MHADA's reply forwarded by the Secretary in November 2001, MHADA has accepted that the loss of Rs 54.27 lakh and stated the loss would be made good by claiming reimbursement from the Government.

However, the Government has neither commented on MHADA's statement nor has given a commitment in regard to reimbursing the loss.

IRRIGATION DEPARTMENT

MAHARASHTRA KRISHNA VALLEY DEVELOPMENT CORPORATION

5.19 Premature purchase of mild steel plates

Procurement of huge quantity of mild steel plates without verifying their suitability for the works resulted in blocking of funds of Rs 4.06 crore and an avoidable expenditure of Rs 2.49 crore on transportation to various divisions.

Government of Maharashtra established the Maharashtra Krishna Valley Development Corporation (MKVDC) at Pune in 1996-97 to accelerate the execution of existing and new irrigation projects in the western districts of the state. The Executive Engineer, Ujjani Canal Division XI, Solapur one of the procurement agencies for steel for various projects, procured 4497.24 MT of 12 mm Mild Steel (MS) Plates from Steel Authority of India Ltd. during October 1995 to February 1996 at a cost of Rs 8.98 crore. These plates were purchased for fabricating and laying of MS Pipes for Rising Main for Stage III and IV, of the Krishna Koyna Lift irrigation project in Sangli district. Accordingly, these plates were transported from Solapur to Sangli during October 1995 to February 1996 at a cost of Rs 1.78 crore.

Scrutiny of the records of Mhaisal Pump House Division 2, Sangli in February 2001 revealed that, the then Mechanical and Electrical Division, Sangli, sought an expert opinion for use of water hammer and provision for anti surge arrangement using 12 mm thick MS Plates for Rising Main (Stage I to IV) from the Indian Institute of Science, Bangalore in November 1995. The Institute in their report in August 1996 pointed out that the provision of anti surge arrangement for 12 mm thickness was quite expensive compared to a provision of Rising Main with 16 mm thickness. This suggestion was accepted and the Corporation decided in January 1997 to use 16 mm pipes for the Rising Main for Stage III alone. Accordingly, the work of Stage III was completed. As a result, the 12 mm plates costing Rs 4.06 crore which had already been procured (1580.952 MT) became surplus. The Corporation then decided in July 1999 to transfer these plates to central procuring agency at Ujjani, Canal Division XI, Solapur.

Further scrutiny of records of Ujjani Canal Division XI and information furnished by the department revealed that the Division had also received 319.146 MT of 12 mm plates from Mhaisal Pump House Division I, Sangli during July 1999. Out of this total quantity of 1900.098 MT of 12 mm plates so received, 1125.93 MT was transferred to Takari Pump House Division No. 1 Islampur, Sangli (May and June 2000), 63.73 MT to Takari Pump House Division II, Sangli (March 2001) and 24.82 MT to Minor Irrigation Division I, Satara (January and March 2001). Remaining 685.618 MT plates worth Rs 1.42 crore was lying with the Ujjani Canal Division XI as of May 2001. The Divisional Officers, Islampur and Sangli replied (October 2001) that the MS Plates were converted into pipes between March and September 2001 and would be utilised by March 2002. The details of utilisation of the plates by the Satara division were awaited (October 2001). The transportation charges incurred on transfer of 1900.098 M.T. plates from Sangli to Solapur was Rs 1.87 crore and on further transportation of 1214.48 M.T. back to Sangli and to Satara was Rs 1.04 crore.

Thus, premature procurement of MS Plates pending technical feasibility report from the expert agency resulted in blocking of funds of Rs 4.06 crore from February 1996 onwards. Besides, the Corporation had to incur an avoidable extra expenditure of Rs 2.49 crore for transportation of plates from Solapur to Sangli and back. The transferred MS Plates were also not utilised by the Divisions till September 2001.

The matter was referred to the Secretary in July 2001. No reply has been received (December 2001).

URBAN DEVELOPMENT DEPARTMENT

MUMBAI METROPOLITAN REGION DEVELOPMENT AUTHORITY

5.20 Irregular exemption from payment of transfer charges

Irregular concession by Mumbai Metropolitan Region Development Authority regarding non-payment of transfer charges resulted in an undue benefit to the lessee to the extent of Rs 17.51 crore and loss of Rs 17.51 lakh to MMRDA.

To promote guided development of Oshiwara area in Mumbai by landowners' participation, Government approved Oshiwara District Centre (ODC) Project in March 1992. The project envisaged that the Mumbai Metropolitan Region Development Authority (MMRDA) would acquire the lands for a nominal price of Rupee One, which would then be leased by MMRDA to the same owners on payment of lease premium for a period of 60 years for undertaking developments. The land owners would be responsible for carrying out all on site infrastructure development at their cost and would be free to sell the buildings in the open market. MMRDA in its resolution in May 1995, decided to permit "subletting of land" or part thereof with prior permission of the Metropolitan Commissioner (MC) but without payment of transfer charges by the land holder. Thus, the relaxation in payment of transfer charges was admissible for "subletting" only and not for other types of transfers such as "mortgage", "assignment" or "parting possession of whole or part of land thereof".

Scrutiny of records of MMRDA in October 2000, revealed that the land measuring 20281.60 square metre was notionally acquired from the owner Montex Corporation and on realisation of lease premium of Rs 1.14 crore (as fixed under ODC Plan) from Montex Corporation, a lease agreement was executed on 19 December 1995 and the land was handed back to the owner (Montex) for guided development as per planning proposals for ODC. The same day ie on 19 December 1995 Montex Corporation sought permission of MMRDA for "assignment" of the said land in favour of Great Eastern Shipping Co. Ltd. (GESC) for a consideration of lease premium of Rs 17.51 crore and the Authority granted the permission in March 1996, without levying any transfer charges. Thus, the authority got no benefit from the transfer as discussed below.

While executing the lease agreement with the Montex Corporation in December 1995, the MMRDA had irregularly incorporated a clause in the agreement which permitted the latter to transfer the land not only by subletting but also by way of mortgage, assignment etc without any payment of transfer charges to the MMRDA, contrary to the May 1995 resolution of the MMRDA. MMRDA did not levy in this case the transfer charge of 1 *per cent* of the lease premium amounting to Rs 17.51 lakh, as is being charged by MMRDA in transfer of plots in Bandra-Kurla Complex.

Thus, undue and irregular relaxation with regard to levy of transfer charges for all types of transfers instead of restricting it to subletting only, as approved by the MMRDA in May 1995, resulted in an undue benefit to the lessee and loss of Rs 17.51 lakh to the MMRDA. This was the only case of its type where a special benefit was extended to a firm.

The Secretary replied (August 2001) that as per the amended Regulations (1997), the first transaction was free of any additional charges. Further, the levy of additional consideration was to be decided by the Metropolitan Commissioner if so desired. The reply is not acceptable as the transaction had taken place in March 1996 before the amendment of the Regulations in 1997 and the transfer charges were levied by MMRDA in a similar case where permission for assignment was granted in August 1998. The amendment is also not relevant to the issue of levy of transfer charges on assignment which were required to be levied as per the Resolution of May 1995 since it permitted transfers by way of ‘subletting’ only. It is pertinent to note that in this case, the only one of its type, the MMRDA realised a lease premium of Rs 1.14 crore on the transfer of this plot where as, the lessee i.e. Montex Corporation realised Rs 17.51 crore as premium on reassignment.

5.21 Loss in disposal of school plots

Failure of the Mumbai Metropolitan Region Development Authority to carry out timely negotiations and delay of over three years in disposal of plots resulted in loss of premium of Rs 6.12 crore.

The Mumbai Metropolitan Region Development Authority (MMRDA) invited tenders in December 1995 for allotment of two plots reserved for schools having 3500 sq metres of area each, in the International Finance and Business Centre in Bandra–Kurla Complex on lease for 80 years. Scrutiny of the records of MMRDA in October 2000 revealed the following.

In response to the tender, five offers for plot SCL-1 and three offers for plot SCL-2 were received. The tenders were opened in February 1996 and were valid for a period of 6 months i.e. upto August 1996. MMRDA approved in April 1996 the highest bids received, of American School of Bombay (ASB) Education Trust of Rs 15,400 per sq metre for plot SCL-1 and of K.J.Somaiya Trust of Rs 20,000 per sq metre for plot SCL-2. However, it did not convey the decision to the parties concerned due to the election code of conduct being in force till May 1996, and pending approval to the Coastal Restrictive Zone (CRZ), Regulation. The MMRDA therefore asked the highest bidders (June 1996) to extend the validity period of their offer for a further period of three months.

While, the ASB Education Trust extended the validity period of their offer for SCL-1, K.J.Somaiya Trust did not extend the validity period of their offer for SCL-2. On withdrawal of offer by K.J.Somaiya Trust, ASB Education Trust became the highest bidder for SCL-2 also and on their request this plot was allotted in September 1996. On allotment of plot SCL-2 to ASB Education Trust, J.H.Ambani Foundation (JHAF) who quoted the rate of Rs 14,285 per sq metre for plot SCL-1 became the highest bidder for the SCL-1 plot. However, the Authority did not make any efforts to ascertain JHAF's willingness to extend the validity period of their offer for plot SCL-1 and decided to readvertise the said plot.

Though the decision for readvertising the first plot for a school and adjoining area reserved for playground was taken by the Authority in September 1996, fresh notice for retendering was issued as late as in January 2000 i.e. after a lapse of over 3 years. Only three offers were received and the highest offer was for Rs 3400 per sq metre submitted by JHAF, who had offered Rs 14,285 per sq metre in 1996 for the same plot. The Authority accepted the offer of JHAF in February 2000 on the ground that the Government also allows concessions in allotment of plot to schools. However, the specific orders of the Government regarding allotment of school plots at concessional rates are not available.

Thus, failure of the MMRDA to approach and negotiate the allotment of the plot SCL-1 to JHAF, who became the highest bidder in 1996, delay of over three years for retendering the plot and lease of the plot to the same organisation (JHAF) at the rate of Rs 3400 per sq metre resulted in loss of premium of Rs 576.18 lakh on allotment of the school plot (5293.32 x 10885). In addition, the Authority sustained a consequential loss of Rs 35.83 lakh on allotment of the play ground (2194.56 x 1632.75), as the rate of lease premium was decided on the basis of rate offered for the school plot (Ten *per cent* of one and half times of the lease premium for the school plot).

The Secretary replied in August 2001 that as there was sharp decline in real estate price, the action to readvertise for the sale of the plot was delayed. Further, the plot was allotted to JHAF as they had offered the highest price through bidding process. It was further stated that it would not be appropriate to compare the prices received in 2000 with that of 1996.

The reply of the Secretary is not acceptable as the MMRDA did not make any attempt to get the validity period of JHAF's (the second highest bidder) offer extended and to allot the plot to them in 1996 itself; there is nothing on record to substantiate that the Authority had taken a conscious decision to defer the retendering due to decline in real estate prices. On the contrary the data furnished by MMRDA reveals that where as the decline in real estate prices in Bandra East between 1996 and 1999 was only 12.5 *per cent*, the accepted offer of JHAF was only one fourth of the rate offered by them in 1996. Besides, the fact that the same bidder had offered Rs 14,285 per sq metre in 1996 for the same plot and was now offering Rs 3400 per sq metre in January 2000, was not specifically brought to the notice of the Authority by the Town Planning Division of the MMRDA.

5.22 Blocking of funds in incomplete Vasai-Virar Water Supply Scheme

Delay in resolving the financial tie up by Government for execution and completion of the scheme resulted in blocking of funds to the extent of Rs 55.20 crore.

The Vasai-Virar subregion Water Supply Scheme with "Surya Dam" as source estimated to cost Rs 200 crore was prepared by Maharashtra Jeevan Pradhikaran (MJP) and submitted to Government in August 1993. As Government was not able to provide the grant-in-aid component (Rs 115 crore) for the scheme, alternative financial arrangements were made, and the scheme was split into two phases. The Phase I consisting of treating and conveying water from Maswan Weir to the master balancing reservoir at Virar costing Rs 98.76 crore was to be financed by the Mumbai Metropolitan Region Development Authority (MMRDA) on Build Own Lease and Transfer (BOLT) basis. On completion, the Phase I works were to be leased to the City and Industrial Development Corporation (CIDCO), for 30 years and the cost was to be recovered through lease rent. On recovery of full cost, the works were to be transferred to CIDCO. Further, the planning and implementation of the Phase II of the scheme comprising of transmission and distribution of water in the area costing Rs 103.33 crore was the full responsibility of CIDCO.

Accordingly, MMRDA entrusted the work to MJP as a deposit contribution work in October 1995 and the Scheme received technical sanction in

November 1995. The MMRDA also entered into a Memorandum of Understanding (MoU) with CIDCO in December 1995 for leasing the work on its completion. As per agreement made with MJP MMRDA released Rs 55.22 crore to MJP till September 1999. Work orders for 10 sub components of the work were also placed by the MJP between June 1996 and October 1999 with stipulated periods of completion between November 1998 and October 2000.

However CIDCO backed out from the scheme during execution due to opposition from the concerned Municipal Councils. The MMRDA then tried to explore the possibility of leasing it to the local bodies (Four Municipal Councils and Zilla Parishad Thane). However, the issue could not be sorted out. On directions from the Chief Secretary, MMRDA stopped further financing and asked MJP to stop the work in May 2000. An expenditure of Rs 1.47 crore towards land acquisition and miscellaneous expenses and Rs 41.66 crore on the subworks was incurred till then. Further expenditure of Rs 5.29 crore was also incurred on these works till December 2000. Considering 14 *per cent* Establishment, Tools and Plant charges, the gross expenditure incurred on the scheme till December 2000 was Rs 55.20 crore. The subwork of laying of the raw water and part of pure water gravity main costing Rs 10.36 crore was completed, where as other nine subworks comprising of construction of intake well, water treatment plant, construction of bridge across Vaitarna River, balance work of pure water gravity main were lying incomplete at various stages since May 2000. It is also observed that pumping machineries worth Rs 1.24 crore have been supplied and lying idle at the civil works site since May 2000.

During audit of MJP in January 2001 the Superintending Engineer, MJP Thane stated that number of meetings were arranged at Government level to solve the issue. In the last meeting held in November 2000 under the Chairmanship of the Chief Secretary it was decided to form a Council of Local Authority (COLA) to take further liability of this work *viz* repayment of loan, future maintenance and repairs of the scheme and execution of Phase II of the Project etc.

Since MMRDA, CIDCO, MJP and the local authorities are all functioning under Government's control and superintendence, the delay on the part of the Government to resolve the financial tie up for completion of Phase I and execution of Phase II of the project and future maintenance and repairs of the scheme resulted in stoppage of work for over one year and blocking of Rs 55.20 crore besides depriving the water supply to the beneficiaries who continued to depend on water tankers for their daily requirement of water. There is a clear possibility of cost escalation and damages to the completed portion of the Phase I of the project due to delay in completion and commissioning.

While MJP confirmed the above facts (June 2001) MMRDA stated (May 2001) that resolving the issue required consultation with a large number of agencies and was time consuming. Further, from the minutes of meeting held in May 2001 under the chairmanship of Chief Secretary to solve the problem, it was observed that though time frame for completion of Phase I and II by May 2002 and formation of COLA by July 2001, have been laid down, no time frame for solving the crucial financial problem and arrangement of funds as well as for commencement of the work have been laid down. The process of formation of COLA was still in progress (September 2001). Thus the solution to the problem is uncertain and work had not been restarted till September 2001.

The matter was referred to the Secretary in July 2001. No reply has been received (December 2001).

WATER SUPPLY AND SANITATION DEPARTMENT

MAHARASHTRA JEEVAN PRADHIKARAN

5.23 Unnecessary procurement of pipes

Procurement of pipes in advance of requirements and ignoring existing holdings resulted in blocking of funds to the extent of Rs 6.78 crore in various Water Supply Schemes.

The Maharashtra Jeevan Pradhikaran (MJP) is an autonomous body of the State Government set up for the planning and execution of Urban and Rural Water Supply Schemes. MJP follows the codal provisions of the Maharashtra Public Works Manual (Para 3.96) which *inter alia* states that material should not be purchased in advance or in excess of actual requirements. Audit of Schemes implemented by MJP revealed instances of unnecessary procurement of pipes for various Water Supply Schemes placing an avoidable financial burden on MJP as shown below.

(i) Scrutiny of records of the Executive Engineer, MJP Division No.1, Amravati in August 2000 revealed that the augmentation to the Dhamangaon Railway Water Supply Scheme was technically sanctioned by the Chief Engineer, Amravati Region, MJP in October 1997 for Rs 9.65 crore with an initial estimate of 484 RMT of 250 mm dia Cast Iron (CI) pipes. Instead of using the existing stock of 2000 RMT of these pipes only 427 RMT was used while the remaining 57 RMT of pipes costing Rs 0.63 lakh were procured in April 1998 and balance quantity of 1573 RMT of pipes was reserved for the Warud Water Supply Scheme which was approved by Government of India

(GOI) in September 1998. During actual execution of augmentation to Dhamangaon Railway Water Supply Scheme the requirement of 250 mm CI pipes was increased by 4227 RMT (due to change in design of gravity Main from 200 mm to 250 mm dia) and the entire increased quantity of 4227 RMT pipes was procured in December 1999 at a cost of Rs 47.09 lakh. However, the actual utilisation of pipes on the scheme as of October 2001 was 2670 RMT only, leaving a balance quantity of 2041 RMT pipes costing Rs 22.74 lakh lying unutilised. Further, 1573 RMT of pipes costing Rs 17.40 lakh reserved for Warud Water Supply Scheme, were also lying unutilised as of October 2001, since the work had not yet started due to paucity of funds. The unnecessary purchase of pipes resulted in blockage of funds of Rs 40.14 lakh.

(ii) MJP also procured CI/Ductile Iron Pipes of various diameters worth Rs 6.38 crore between March 1999 and March 2001 for execution of two[*] other schemes taken up with the assistance of Tenth Finance Commission (TFC) grants, even though the tenders for the works relating to the scheme had not been finalised (September 2001). The purchases were therefore made only to book the expenditure against the schemes and show the TFC grants as utilised which resulted in blocking of funds of Rs 6.38 crore for the periods ranging from 7 to 31 months.

The Secretary replied in August 2001 that pipes worth Rs 2.81 crore were only procured for the two schemes taken up under TFC grants. These were procured when financial position of MJP was satisfactory, as pipes were the main inputs for implementation of these schemes. However, acute financial crunch of MJP since October 1999 resulted in stoppage of existing works and delay in taking up other sanctioned works. It was further stated by him that all the pipes would be utilised on the schemes.

The reply of the Secretary, Water Supply and Sanitation Department is not tenable as the purchase of pipes for the Dhamangaon Scheme was made without considering the existing stock and earmarking more than 78 *per cent* of it for a scheme which has not yet been approved by GOI. These purchases proved to be unnecessary as the existing stock of 2000 RMT of pipes would have met the entire initial requirement of 484 RMT of pipes and a part of the increased requirements for the Dhamangaon Scheme. As regards the other two schemes under the TFC grants, the Secretary replied that pipes worth Rs 2.81 crore were only procured for the scheme. The records of the divisions concerned, however, indicated that pipes worth Rs 6.38 crore were purchased and lying unutilised (September 2001). Thus, unnecessary procurement of pipes resulted in blocking of funds to the extent of Rs 6.78 crore, which is an avoidable financial burden on MJP.

[*] Sailu Water Supply Scheme and Waghela Water Supply Scheme

5.24 Delay in handing over of water supply schemes to local bodies

261 Rural Water Supply schemes were not handed over to Zilla Parishads/Gram Panchayats and avoidable financial burden is borne by Maharashtra Jeevan Pradhikaran for maintenance of the schemes.

Maharashtra Jeevan Pradhikaran (MJP) is an autonomous body of the State Government primarily for planning and execution of Water Supply Schemes in the State. The schemes are executed by MJP on behalf of Municipal Corporations/Municipal Councils (MCs)/Zilla Parishads (ZPs)/Gram Panchayats (GPs) with Government grants, loans raised by MJP from Life Insurance Corporation (LIC) and Popular Contribution (PC) from the local bodies. The schemes, on their completion are to be handed over to the concerned local bodies for further operation and maintenance.

Scrutiny of records of MJP (January 2001) revealed that as of November 2000, 261 Rural Water Supply Schemes (RWSS**)** completed between 1976 and 2000 were not handed over to the ZPs/GPs. Information regarding Urban Water Supply Schemes completed but not handed over to Urban local bodies was not available with MJP. Reasons for not handing over of Water Supply Schemes to local bodies were attributed by MJP to i) local bodies not willing to take over the scheme, ii) financial problems of the local bodies, iii) though schemes were completed, some minor/miscellaneous items of works were pending or some items of works were deferred by MJP to complete them within the sanctioned estimates, iv) inadequate trained staff with the local bodies for maintenance and v) objections/points raised by local body at the time of joint inspection etc.

The total dues amounting to Rs 778.87 crore outstanding against the local bodies as on 31 March 2000 are as detailed below.

(Rupees in crore)

i)	Water charges	372.94
ii)	Loans raised on behalf of MC's and repaid by MJP	249.35
iii)	Expenditure on Maintenance and Repairs	133.81
iv)	Guarantee fees paid to Government by MJP	4.09
v)	Popular Contribution (PC)	10.36
vi)	Expenditure in excess of deposit received by MJP	1.18
vii)	Others	7.14
	Total	**778.87**

Due to non-handing over of the schemes to the local bodies, MJP had to maintain the schemes for 1 to 24 years as of November 2000. The expenditure on maintenance and repairs (M and R) on these schemes incurred by MJP which is recoverable from the local bodies concerned, increased from Rs 90.05 crore in 1995-96 to Rs 133.81 crore in 1999-2000.

MJP stated (January 2001) that generally the Municipal Corporations/Councils and other local bodies recover the water charges from public and divert the amount to their own activities. Some local bodies are recovering less water charges from consumers and hence not in a position to pay the full amount to MJP. It further stated that, some recoveries from Municipal Corporations/Councils are effected by adjustment of grant given to them by Director of Municipal Administration (DMA) and accordingly amount of Rs 26.68 crore and Rs 27.86 crore have been recovered during 1998-99 and 1999-2000 respectively. They have also stated that all possible efforts such as personal visits, legal action and imposing water cuts in some cases are being made to effect recoveries.

Thus, non-recovery of water charges and loans recoverable from the local bodies and avoidable maintenance and repair charges put avoidable financial burden on MJP resulting in diversion of funds meant for new schemes, on maintenance of existing schemes. The increasing financial burden on MJP demands that the Government and MJP take concrete steps to expedite the handing over of the schemes to the local bodies and recover the outstanding dues from them.

The matter was referred to the Secretary in June 2001. No reply has been received (December 2001).

5.25 Delay in completing water supply schemes

Government failed to sort out financial arrangement to complete the balance work of the two water supply schemes. Expenditure of Rs 290.32 crore on the schemes are therefore not bearing result for more than two years.

State Government approved in February 1985 Nhava Sheva Sub Region Water Supply Scheme Stage II comprising construction of Morbe Dam and allied works at an estimated cost of Rs 27.25 crore in order to meet the expected requirement of water supply of 350 Million Litres per Day (MLD) by 2001.The estimate was revised to Rs 70.90 crore in October 1989 due to changes in the design of dam, increase in District Schedule of Rates (DSR) and escalation in land prices. The work order was placed in October 1989, however, due to delay in land acquisition and agitation by the Project Affected People (PAP) the work commenced only in November 1990. Consequently the estimate was finally revised to Rs 383.40 crore in December 1998. Government also administratively approved the stage III of the scheme (Gravity main, water treatment plant, water transmission mains etc) at an estimated cost of Rs 170.39 crore in February 1999.

Financial pattern approved by the Government for execution of Stages II and III of the schemes was as follows :

(Rupees in crore)

		Stage II	**Stage III**
Share of City and Industrial Development Corporation of Maharashtra (CIDCO)	Popular Contribution	38.37	--
	Loan Component	229.60	130.63
Maharashtra Jeevan Pradhikaran (MJP)	Loan	25.97	--
Government of Maharashtra	Grant-in-aid	89.46	39.76
Total		**383.40**	**170.39**

Government also changed its earlier stand regarding ownership and maintenance of the dam by MJP and stated that on completion, the dam would be handed over to CIDCO for operation/maintenance.

Audit scrutiny of MJP in February 2000 revealed that

i) the execution of Stage II and Stage III works had been stopped by MJP since April 1999 due to paucity of funds,

ii) till the date of stoppage 75 *per cent* of the Stage II and 92 *per cent* of the Stage III works were completed at the expenditure of Rs 194.46 crore and Rs 91.16 crore respectively,

iii) as against the CIDCO's share of expenditure of Rs 103.68 crore and Rs 69.89 crore incurred on Stage II and Stage III respectively till the date of stoppage of work, CIDCO released only Rs 42.77 crore and Rs 46.41 crore and

iv) MJP had already incurred expenditure on these works from its own funds to the extent of Rs 60.91 crore in respect of the Stage II work and Rs 23.48 crore in respect of Stage III work in anticipation of release of CIDCO's share.

Since the last payment from CIDCO to MJP towards Stage II was received in December 1997 and their inability for further financing was known by then, Government's directive to handover the dam to CIDCO for maintenance without further Government assistance in December 1998 was not in the interest of the progress of work.

Though MJP and CIDCO both are Government controlled agencies, the inability of Government to sort out the issue regarding financial arrangements for carrying out the balance work and also for identifying an agency for running and maintaining the scheme resulted in blocking of funds to the extent of Rs 285.62 crore for almost two years with the added risk of further cost escalation**.** Besides, the beneficiaries of Navi Mumbai and Nhava Sheva Port Trust, two strategically important areas developed to decongest Mumbai City, were also deprived of the water supply expected from the Scheme.

Incidentally, it is noticed that augmentation to Chowk Rural Water Supply Scheme, Taluka Khalapur in Raigad district with Morbe dam as the source was sanctioned under Accelerated Rural Water Supply Programme in June 1997 at an estimated cost of Rs 7.05 crore. The work was started in July 1998 with stipulated period of completion of 24 months. Since the work of Morbe Dam was stopped, the work of this scheme also slowed down and the expenditure of Rs 4.70 crore incurred upto January 2001 remained unfruitful.

MJP while accepting the facts stated (May 2001) that the matter regarding providing financial arrangement for the scheme was under consideration of the Government and its early completion was being pursued vigorously.

The matter was referred to the Secretary in July 2001. No reply has been received (December 2001).
