

## **CHAPTER IV**

### **AUDIT OF TRANSACTIONS**

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

#### **4.1 Fraudulent drawal/misappropriation/embezzlement/losses**

##### **Housing Department**

#### **4.1.1 Irregular payment of financial assistance to ineligible beneficiaries**

##### **Irregular payment of financial assistance of Rs 97.48 lakh to ineligible beneficiaries under *Bhoomihin Shetmajoor* Assistance Scheme.**

With a view to extend financial and social security to old *Bhoomihin Shetmajoors*, (Landless labourers), Government in October 1991 introduced Indira Gandhi Old *Bhoomihin Shetmajoor* Assistance Scheme. Under the scheme, while submitting the application to Tahsildar/Committee, the beneficiary was required to submit certain information viz resident of State, age proof, not having movable/immovable property, not having adult children, no source of income, etc duly certified by village level authorities namely *Gram Vikas Adhikari*, *Gram Sevak*, *Talathi*, Medical Officer etc. The scheme provided for stoppage of the assistance in case the beneficiaries were found ineligible subsequently.

Audit scrutiny (February 2002 and March 2003) of records of the Tahsildar, Bhokar, District Nanded revealed that the Collector, Nanded had issued instructions (February 1996) to detect ineligible beneficiaries and stop misuse of the assistance by verifying the correctness of the certificates issued by concerned authorities. In November 1996, Tahsildar, Bhokar identified 3013 ineligible beneficiaries, who had given false information but no recovery has been made (November 2003). Such ineligible beneficiaries had already been paid financial assistance of Rs 60.67 lakh during November 1991 to February 1996. Despite detection of such a large number of ineligible beneficiaries, action was not initiated against the authorities certifying false information nor any strict measures were taken by the Committee to prevent misuse in future, which has further resulted in irregular payment of Rs 36.81 lakh to 366 ineligible beneficiaries during March 1996 to June 2002.

On being pointed out, Tahsildar, Bhokar while accepting the fact stated (March 2003) that notices were issued to concerned beneficiaries for recovery.

However, no recovery could be made (November 2003) as there exist no provision for recovery in the scheme.

Thus, certification of false information by the village authorities and failure of the Committee to detect it has resulted in irregular payment of Rs 97.48 lakh to ineligible beneficiaries defeating the very purpose of the scheme.

The matter was referred to the Secretary to the Government in July 2003. Reply has not been received (November 2003).

#### **4.2                      Infertuous/wasteful expenditure and overpayment**

##### **Agriculture, Animal Husbandry, Dairy Development and Fisheries Department**

#### **4.2.1                      Infertuous expenditure on construction of Chinese type of hatcheries**

##### **Failure to assess the availability of water supply and to rectify the defects resulted in infertuous expenditure of Rs 37.04 lakh on Chinese type of hatcheries**

Government decided (December 1990) to construct Chinese type of hatcheries (hatchery) which provided adequate oxygenated water with suitable temperature to yield optimum spawn production.

Scrutiny of records of Regional Deputy Director of Fisheries (RDDF), Nagpur and Nashik (December 2002 and March 2003) revealed that four hatcheries at Vena, Bor, Kelzar in Nagpur Region and Karanjwan in Nashik Region were constructed between 1992 and 1995 at a cost of Rs 37.04 lakh with a targeted production of 191 lakh spawn/year. However, these hatcheries were never utilised for spawn production since construction due to shortage of water.

RDDF Nashik admitted (March 2003) that the hatcheries could not be used because of inadequate water supply, defective construction and improper maintenance of the farm. Agriculture, Animal Husbandry, Dairy Development and Fisheries Department stated (October 2003) that after completion of Karanjwan hatchery in 1994, Irrigation Department was repeatedly requested to supply water which was not accepted. The reply is not tenable since the water supply system was dismantled in December 1991 itself and the construction was defective. Reply for remaining hatcheries was awaited (November 2003).

Thus, lack of proper co-ordination between different departments, failure to assess the availability of water supply and to rectify the defects in a period of eight to ten years, rendered the expenditure of Rs 37.04 lakh on construction of four hatcheries infertuous. No responsibility has been fixed on any officials for the lapses.

#### **4.2.2 Wasteful expenditure on fish ponds**

##### **Non-construction of fish pond for fish culture activity rendered the expenditure of Rs 21.79 lakh wasteful.**

To provide self employment to the educated unemployed, Fisheries Department introduced (December 1997) a scheme for construction of fish ponds in degraded agriculture land for growing fish culture. The scheme provided for construction of one hectare fish pond estimated to cost Rs 1.60 lakh with Government subsidy of Rs 40000. The beneficiaries were required to give an undertaking for taking fish culture for five years continuously failing which the subsidy amount was to be returned.

Scrutiny of records of 11 District Fisheries Development Officer (DFDO) revealed (February 2003) that benefit under this scheme was extended to 311 beneficiaries and Rs 87.01 lakh was distributed as subsidy during 1997-2000. During joint physical verification of 116 beneficiaries by audit with DFDO officials, it was found that 26 beneficiaries had not constructed the fish ponds (subsidy Rs 9.61 lakh). In case of 31 beneficiaries, the construction of ponds was not as per norms and fish culture activity was not carried out (subsidy Rs 8.88 lakh) and in 10 cases the ponds were being used for agriculture crop (subsidy Rs 3.30 lakh).

As these beneficiaries did not carry out the fish culture, payment of Rs 21.79 lakh to these beneficiaries was liable to be recovered. The DFDO's agreed to initiate appropriate action to recover the amount.

When irregularities were pointed out, Department initiated (April 2003) enquiry against DFDO, Solapur while reply in respect of other cases was awaited (November 2003).

### **Urban Development Department**

#### **4.2.3 Infertuous expenditure on abandoning of incomplete sewer lines**

##### **Abandoning of incomplete sewer lines resulted in an infertuous expenditure of Rs 69.21 lakh.**

Kalyan Dombivli Municipal Corporation (KDMC) took up (1995) the work of widening/strengthening of 3.6 km long Kalyan Diversion Road from Birla college to Durgadi fort. When the work was in progress, the KDMC decided (September 1995) to lay a sewer line beneath the road under execution along the road's chainage. The estimate of Rs 1.28 crore for the sewer line was administratively approved by the KDMC (September 1995) and tenders were invited (September and December 1995). To keep pace with the road work, the sewer line work was split into four parts. The first part of work (Chainage up to 900 metres) was awarded in October 1996, the second and third parts of

the work were awarded in March 1997 and the fourth part of work in April 1997. The period for completion of each work was six months.

Scrutiny of records in the Hydraulic Engineering Department of KDMC revealed (January 2002) that the first part of work was completed. However, the remaining three parts of work, were stopped (March 1998) after incurring an expenditure of Rs 69.21 lakh, due to encountering hard strata during excavation (May 1997), which required blasting. Though the police permission for blasting was received in March 1998, no efforts were made to speed up the work of sewer lines and in the meantime the road work was completed (March 1999). As the sewer lines could not be laid without breaking the newly constructed road, which involved heavy expenditure, the KDMC terminated the contract for all the three sewer line works (March 1999).

Thus, delay in laying the sewer lines before completion of road work and lack of co-ordination among the different departments of the KDMC resulted in infructuous expenditure of Rs 69.21 lakh.

The Hydraulic Engineer, KDMC replied (January 2002) that the KDMC had appointed a consultant for survey and design of underground sewerage system for the newly developed area of the KDMC. While finalising the new scheme possibility of utilisation of the work already executed would be considered in consultation with the consultant. However, the possibility of utilisation of the work already executed appears to be remote as more than six years have elapsed. No responsibility has been fixed for the unfruitful expenditure.

The matter was referred to Secretary to Government in April 2003 and reminder issued in September 2003. Reply has not been received (November 2003).

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| <b>4.3</b> | <b>Violation of contractual obligations/undue favour to contractors</b> |
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| <b>Housing Department</b> |
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| <b>4.3.1</b> | <b>Undue favour extended to a private developer</b> |
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| <b>Non-compliance of tendering procedures and incorrect assessment of profit from slum development resulted in undue benefit of Rs 82.25 crore to a private developer.</b> |
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Housing Development and Improvement India Private Limited, a private developer submitted (May 2002) a *suo motu* proposal to the Slum Rehabilitation Authority (SRA) for re-development of 18437 square metre (sq mt) of land belonging to the Maharashtra Housing and Area Development Authority (MHADA) in Bandra (East). On this land, there were 321 transit tenements of MHADA occupying an area of 11764 sq mt and slums on the

remaining area of 6673 sq mt. This was followed up by a proposal to the Government (June 2002) for construction at its own cost, 450 tenements to rehabilitate slum dwellers as per SRA norms and 321 permanent transit tenements for the existing transit tenements of MHADA. Moreover, 3000 sq mt (later modified to 5000 sq mt) of land would also be developed for a bus terminus as per reservation of the plot; and Rs 4 crore would be paid to MHADA as compensation amount. In consideration of provision of these facilities, the developer sought permission to use complete Floor Space Index (FSI) of the Scheme.



**The commercial structure being built by applying residential rates**

Mumbai Building Repairs and Reconstruction Board (Board), a unit of MHADA, assessed (June 2002) a net profit of Rs 29.92 crore, (after providing accommodation to the existing tenants) if MHADA itself re-developed the transit camp and a net profit of Rs 34.42 crore, if the developer carried out the redevelopment work. Based on this analysis by the Board, in meetings (June/July 2002) convened by the Chief Minister, it was decided to award the work in favour of the private developer. Accordingly, an agreement was entered in August 2002.

The SRA gave approval (September 2002) for a total FSI of 32086.67 sq mt including sale component of 23658.53 sq mt. After providing for 7158 sq mt for re-housing 321 transit tenants, net area available to the developer for sale was 16500.53 sq mt (including 5000 sq mt for bus terminus). Computed with reference to the commercial rate of Rs 85000 per sq mt being double the residential rate, the sale would yield a net profit of Rs 86.25\* crore to the developer as against a profit of Rs 8 crore assessed by MHADA. With the sum of Rs 4 crore received (50 per cent of Rs 8 crore) from the developer the net gain to the developer would be Rs 82.25 crore.

Scrutiny of records revealed that MHADA did not follow the tendering system while awarding the FSI and therefore lost the opportunity of competitive bids. Projections of the benefits made by MHADA by accepting the offer of the developer was erroneous because it reckoned only residential rates for the use of land though the land was reserved for para commercial use and attracted twice the residential rates according to MHADA's pricing policy.

Thus, due to injudicious decision of the Government of acceptance of the proposal of the private developer without following transparent tendering procedure, MHADA lost the opportunity of sharing the additional gain of Rs 78.25 crore.

\*  $16500.53 \times 85000 = 140.25$  crore - 54 crore (cost of construction) = Rs 86.25 crore

The matter was referred to the Principal Secretary to the Government in August 2003. Reply has not been received (November 2003).

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| <b>4.3.2</b> | <b>Irregular transfer of shops and allotment of additional plot area</b> |
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| <b>Irregular transfer of shops to unauthorised occupants resulted in a loss of Rs 5.46 crore.</b> |
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The erstwhile Maharashtra Housing Board, now Maharashtra Housing and Area Development Authority (MHADA), allotted on rent in 1962-63, three amenity blocks for a medical store, coal shop and laundry with a built up area of 344.33 square feet each in MHADA's Office building at Bandra. Although the business continued except in the case of the coal shop, which changed to a hotel, the ownership of these shops was changed unauthorisedly. Instead of resumption of these shops for breach of allotment terms, the Chief Officer of the Mumbai Housing and Area Development Board, a unit of MHADA transferred ownership of these shops in January/March 1995 to the unauthorised occupants at their request (May 1994) at a cost of Rs 86085 each, without the approval of MHADA.

Further, the Chief Officer allotted vacant land of 909.60 square metre (sq mt) equally to these unauthorised occupants but handed over possession of 945.36 sq mt of land (March 1996) at the lease premium of Rs 3630 per sq mt against prevailing market rate of Rs 30000 per sq mt meant for non-residential purpose. Besides, annual lease rent of 2.5 *per cent* on the premium amount was recoverable from the allottee. The Senior Architect of the Board also, unauthorisedly allotted (December 1996), additional Floor Space Index (FSI) of 756 sq mt generated in the same layout to them at the rate of Rs 3800 per sq mt. Thus, a total 1701.36 sq mt was unauthorisedly allotted. The premium recoverable on this was Rs 5.10 crore against which Rs 56.30 lakh was recovered. Against lease rent of Rs 85.07<sup>#</sup> lakh, Rs 5.45 lakh was recovered. Besides, penalty of Rs 12.64 lakh for delayed payment was not recovered. Thus total recoverable amount works out to Rs 5.46 crore (March 2003).



**Building showing shops irregularly transferred to unauthorised occupants**

MHADA raised an additional demand for Rs 2.40 crore being the difference between actual sale price and the prevailing market rate for 909.60 sq mt land (May 2000) but not for the additional 35.76 sq mt of land and differential cost for the additional FSI of 756 sq mt. The allottees challenged the demand in the

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<sup>#</sup> [(Rs 709020x7 years) + (Rs 567000x6.25 years)] = Rs 8506890

Mumbai High Court. The Court, in April 2002, quashed the demand and directed MHADA to issue fresh show cause notice for demand. Final action in the matter by MHADA was awaited (November 2003). Thus, the irregular transfer of ownership of shops to unauthorised occupants by exceeding the authority vested, handing over excess area and fixation of lease premium/lease rent at a very low rate, entailed a loss of Rs 5.46 crore.

The matter was referred to the Principal Secretary to the Government in August 2002 and July 2003. Reply has not been received (November 2003).

#### **4.3.3 Undue favour extended to an allottee**

##### **Undue favour extended to an allottee resulted in a loss of Rs 3.18 crore.**

Government allotted (December 1996) 9744 square metre (sq mt) of land in survey No. 31/3 at Oshiwara to Shri Sai Co-operative Housing Society (Society) for construction of tenements. Accordingly, Mumbai Housing and Area Development Board (Board)\*, allotted (January 1997) the land to the Chief Promoter of the proposed Society. Since it was a reserved plot of Brihanmumbai Municipal Corporation (BMC), the Board at the instance of society allotted (May 1997) an alternate land with identical area in adjacent survey numbers (in parts from survey numbers 29, 31 and 32) on a lease premium of Rs 3.20 crore with an annual lease rent of Rs 7.99 lakh payable within 30 days of allotment.

Audit scrutiny (June 2003) revealed that undue concessions were extended to the Society in many ways as discussed below:

- Though the alternate land allotted was not reserved and was free for development, the payment clause was changed and a clause regarding “payment within 90 days from the date of approval of revised layout plan by BMC” applicable to the original plot was included in the allotment order and was incorporated by the Society in its indemnity deed. This enabled the Society to extend the due date of payment from 30 June 1997 to 10 May 2000<sup>a</sup> resulting in loss of interest of Rs 1.49 crore.
- The Society was permitted (May 2002) for utilisation of additional FSI of 2353 sq mt by purchasing transferable development right (TDR) from outside which the Society purchased from MHADA. Even though No Objection Certificate charges at the rate Rs 600 per sq mt (Rs 14.12 lakh) were payable to MHADA, only 10 *per cent* of the charges was levied (Rs 60 per sq mt) on the plea that TDR used by the Society was purchased from MHADA. This concession was not contemplated and justified and resulted in further loss of Rs 12.71 lakh.

\* a unit of the Maharashtra Housing and Area Development Authority (MHADA)

<sup>a</sup> ie the date of issue of commencement certificate by BMC.

- For the development and construction of road, the society was bound to pay BMC, charges on *pro rata* basis to the extent of Rs 1.56 crore. This was relaxed in this case by the Board at the instance of the Society and was adjusted against the dues payable by the Society.

Thus, the undue concessions extended to the Society and insertion of redundant clause in the allotment order resulted in a loss of Rs 3.18 crore.

The matter was referred to the Principal Secretary to the Government in June 2003. Reply has not been received (November 2003).

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| <b>4.3.4</b> | <b>Loss of revenue due to arbitrary reduction in sale price of tenements</b> |
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| <b>Delay in finalisation of final sale price of tenements and arbitrary waiver of 60 per cent of the differential sale price entailed loss of revenue of Rs 1.42 crore.</b> |
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Section 28 of the Maharashtra Housing and Area Development Act 1976 read with Maharashtra Housing and Area Development (Estate Management, Sale, Transfer and Exchange of Tenements) Regulations, 1981 contains its pricing policy in respect of disposal of its developed sites and housing tenements.

The Pune Housing and Area Development Board, a unit of MHADA, constructed 2430\* tenements and allotted them during 1985-1987, on a tentative cost aggregating Rs 6.91 crore. The allottees were liable to pay any differential cost after the final cost was assessed. After more than nine years the final cost of all the tenements was fixed as Rs 9.28 crore instead of the original Rs 6.91 crore. The allottees protested and refused to pay the increased cost. There upon in deviation from laid down policies of MHADA under provisions of Act *ibid* and the regulations, Minister of State for Housing arbitrarily decided (September 2000) to recover only 40 per cent of the increased cost in respect of the Low Income Group category and waive the remaining 60 per cent even though he was not competent to do so. Though this decision was a deviation from its laid down policies MHADA adopted it in November 2000.

Subsequently, on representation from the allottees of Middle Income Group category for similar concession, the Minister for Housing decided (January 2001) to extend the same concession to all categories, which MHADA agreed to without any formal resolution or modifying/amending the earlier one and directed the Board accordingly. The arbitrary waiver of 60 per cent of increase in final sale price resulted in loss of revenue of Rs 1.42 crore.

The matter was referred to the Principal Secretary to the Government in July 2002 and 2003. Reply has not been received (November 2003).

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\* High Income Group - 120 tenements, Middle Income Group - 948 tenements, Low Income Group - 1242 tenements and Economically Weaker Sections - 120 tenements



### 4.3.5 Loss of revenue due to low fixation of upset price

#### Loss of revenue of Rs 59 lakh due to low fixation of upset price.

The Mumbai Housing and Area Development Board (Board) - a unit of Maharashtra Housing and Area Development Authority (MHADA), advertised (July 2000) sale of Transferable Development Right (TDR) of 18785 square metre (sq mt) of land generated from its Slum Rehabilitation Project at Mankhurd. The tender notice was issued without fixing a minimum upset price in violation of existing orders.

The bids were received (July 2000). However, based on the directives of the Minister (Housing) in a meeting held on 27 July 2000 the Board rejected the bids received (July 2000) and re-invited tenders (August 2000) fixing a minimum upset price of Rs 4090 per sq mt (ie Rs 380 per square feet (sq ft)) for deferred payment offer and a discount thereon at 1.25 *per cent* per month for down payment. The basis of fixation of the upset price was not on record. In response to the revised tender M/s Pranay Investments' offer of Rs 4531.644 per sq mt (Rs 421 per sq ft) on deferred payment for the entire 18785 sq mt was the highest. The Selection Committee however decided (August 2000) to allot only 13785 sq mt of the total 18785 sq mt to them and allotted the balance 5000 sq mt to Gala Construction Co., the second highest bidder, at Rs 4360 per sq mt on down payment.

Incidentally, M/s Pranay Investments had purchased in March 2000 TDR of 8075 sq mt from Shivshahi Punarvasan Prakalp Ltd (SPPL), another rehabilitation agency (a Government Company), at the rate of Rs 5380 per sq mt (ie Rs 500 per sq ft) in the same colony (Mankhurd) on deferred payment basis. Moreover, the Vice President and Chief Executive Officer of MHADA, Secretary Housing, etc were on the Board of Directors of SPPL also. During the interregnum of the cancellation and reinvitation of tenders, the Board also received an unsolicited offer of Rs 6456 per sq mt (ie Rs 600 per sq ft). It is therefore evident that well before the upset price was fixed, top officials of MHADA were aware of the prevailing rates. Hence, the circumstances under which such a low and arbitrary upset price (Rs 4090 per sq mt) for TDR in the same colony was fixed by MHADA in August 2000, was not clear and needed to be investigated.

Even subsequently, the Board sold TDR in April 2001 and September 2002 at an upset price of Rs 4800 per sq mt (actual sale price Rs 5650 per sq mt) and Rs 8740 per sq mt (actual sale price Rs 8740 to Rs 8745 per sq mt) respectively, which confirms the low rate it received in August 2000. Based on the trend of rates known to MHADA, the sale of 18785 sq mt TDR has resulted in a loss of Rs 59 lakh.

Thus, the arbitrary fixation of the upset price without reckoning market trend and the rates obtained by a parallel agency resulted in an avoidable loss of revenue of Rs 59 lakh.

The matter was referred to the Principal Secretary to the Government in July 2003. Reply has not been received (November 2003).

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| <b>4.3.6</b> | <b>Loss due to irregular allotment of land to a trust at concessional rate</b> |
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| <b>Irregular allotment of land to a trust at a concessional rate resulted in loss of revenue of Rs 56.10 lakh.</b> |
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Government of Maharashtra decided (July 1999), to allot 13.50 hectares of land available with Nagpur Housing and Area Development (NHAD) Board, a unit of Maharashtra Housing and Area Development Authority (MHADA), at Vaddhamana, Nagpur to Sakal Jain Foundation (Foundation).

NHAD Board (September 1999) worked out the cost of land at Rs 29.65 lakh. The Vice President and Chief Executive Officer (VP and CEO) of MHADA ordered (October 1999) recovery of the cost from the Foundation at the market rate or as determined by the Town Planning Department whichever was higher according to the pricing policy of MHADA. Government, however, stayed (October 1999) all allotments made between June and October 1999 and cancelled them (January 2000) with the proviso that requests of the allottees could be re-examined for consideration afresh.

Based on request from the Foundation (February 2000), Government allotted the land (August 2000) to the Foundation, despite MHADA's recommendation (April 2000) not to allot NHAD Board's land to any institution/organisation as it could utilise the land for public housing schemes. NHAD Board intimated to MHADA (November 2000) that the cost of land as worked out by the Town Planning Department was Rs 85.75 lakh. But, acting on directives from MHADA (November 2000), NHAD Board (November 2000) updated the earlier price of Rs 29.65 lakh to Rs 35.86 lakh. Meanwhile, on the advise of Government (November 2000) to waive the interest, the VP and CEO of MHADA directed NHAD Board (December 2000) to recover only Rs 29.65 lakh from the Foundation, pending final decision of the MHADA in the matter. MHADA took a decision in January 2001 against allotting the land to the Foundation and reducing the cost. However, Government directed MHADA (March 2001) to allot the land to the Foundation at Rs 29.65 lakh. The Foundation paid the sum of Rs 29.65 lakh in April 2001 where upon, NHAD Board, even without a formal letter of allotment stipulating the terms and conditions of allotment, handed over possession of the land to the Foundation in the same month.

The allotment of land of 13.50 hectares earmarked for residential purposes by Government to the Foundation at a concessional rate of Rs 29.65 lakh against the market price of Rs 85.75 lakh disregarding the reservations of MHADA tantamounts to an act of undue favour and resulted in loss of revenue of Rs 56.10 lakh to MHADA.

The matter was referred to the Principal Secretary to the Government in July 2003. Reply has not been received (November 2003).

### **Industries, Energy and Labour Department**

#### **4.3.7 Non-eviction from Government quarters**

##### **Failure to evict superannuated employees from Government quarters and non-recovery of rent of Rs 1.36 crore from them.**

Government Central Press (Press), Mumbai has its staff quarters at Mudran Kamgar Nagar, Andheri (West). As per Government directives, any employee who is occupying Government quarter should vacate it on superannuation. The quarter can be retained for three months after superannuation with the consent of administration and after the expiry of three months, rent based on market rate of Rs 10 per square feet (since October 1996) is recoverable from the occupant.

A review of rent recovery dues revealed that 69 retired employees had not vacated their quarters on their superannuation as of November 2002 though many of them had retired as early as 1987. As quarters can be retained with the consent of administration only for three months, prompt action should have been taken to evict the employees when they failed to pay up the penal rent. The Press however failed to get the quarters vacated, which adversely affected 150 employees awaiting allotment of quarters. The Department ordered eviction of the occupants only in January 2003.

Neither the illegal occupants have been evicted so far nor have the dues amounting to Rs 1.36 crore (up to September 2003) been recovered from them. As it is difficult to recover the rent once an employee retires, there is a need to disallow employees to occupy quarters once they retire.

The matter has been reported to the Secretary to the Government in March 2003. Reply has not been received (November 2003).

### **Irrigation Department**

#### **4.3.8 Irregular payment**

##### **Irregular payment of Rs 2.81 crore beyond contractual terms.**

The work of construction of masonry dam of Upper Pravara Project in Ahmednagar district, estimated at Rs 30.72 crore, was entrusted to a contractor (April 1995) on item rate tender for Rs 35.63 crore for completion by April 2000. The tender included an item of excavation for foundation in hard strata by blasting in wet or dry condition including dressing the side slope and bed to the specified grade at the rate of Rs 190 per cubic metre (cum). According to clause 37 of the tender, the payment for quantities in excess of 25 *per cent* of

the tendered quantities were to be made at current schedule of rates (CSR) increased or decreased by tender percentage.

During execution of the work, the quantity of excavation work had increased disproportionately from 43113 cum to 377713 cum as of January 2003 due to change in section of the dam, necessitating payment for 323820 cum quantity in excess of 25 *per cent* of the tendered quantity. However, while calculating payment to the contractor for excess quantities as per basic CSR of ID, the department included the rates for machinery/equipment also in the basic CSR. This has resulted in excess payment of Rs 2.81 crore to the contractor upto 99th Running Bill paid in January 2003 on excess quantities of excavation (323822) during 1995-2001 as detailed below:

| Year         | Quantity executed beyond 125 <i>per cent</i> (cum) | Rate of actual payment Rs /cum. | Amount paid (Rupees in lakh) | Rate payable Rupees/cum | Admissible amount (Rupees in lakh) | Excess payment (Rupees in lakh) |
|--------------|--|---------------------------------|------------------------------|-------------------------|------------------------------------|---------------------------------|
| 1995-96      | 38995  | 272.15                          | 106.12                       | 204.10                  | 79.59                              | 26.53                           |
| 1996-97      | 200995   | 291.75                          | 586.40                       | 222.40                  | 447.01                             | 139.39                          |
| 1999-2000    | 49201  | 371.05                          | 182.56                       | 234.00                  | 115.13                             | 67.43                           |
| 2000-01      | 34629  | 384.80                          | 133.25                       | 247.95                  | 85.86                              | 47.39                           |
| <b>Total</b> | <b>323820</b>                                      |                                 | <b>1008.33</b>               |                         | <b>727.59</b>                      | <b>280.74</b>                   |

The Executive Engineer, Upper Pravara Division, Sangamner, Ahmednagar district stated (February 2003) that payment to the contractor for additional quantity was regulated under clause 37 taking into consideration basic rate of District Schedule of Rates (DSR) of ID applicable for the respective year and the rate of machinery from the DSR of Mechanical Department. As huge extra quantity could not be completed without use of machinery in short time, the use of machinery was unavoidable.

The contention of the Department was not tenable since payment to contractor was to be regulated according to the CSR of ID as specified in the tender. Moreover, the time for completion of work was extended upto June 2005 and there was no shortage of time as contended by the Department justifying use of machinery for speedy completion.

The matter was referred to the Secretary to the Government in July 2003. Reply has not been received (November 2003).

### **Public Works Department**

#### **4.3.9 Non-forfeiture of earnest money deposit**

#### **Department's deliberate inaction in contravention of the tender conditions resulted in undue benefit of Rs 61.08 lakh to contractors.**

Under Tourism Development Programme of Sindhudurg district, tenders for improvement of nine road works estimated to cost Rs 38.91 crore were invited by Public Works Division Sawantwadi and Kankavali in April 1999. According to the tender condition, if a contractor withdraws his offer after

submission of tender, the full amount of earnest money deposit (EMD) paid by him shall be forfeited by the Government. This condition was applicable to those contractors also who were holding Exemption Certificate (EC) from payment of EMD. In those cases where contractors had EC, the Executive Engineer (EE) in charge of the work should report the facts telegraphically to the EE who had issued EC to forfeit EMD.

Audit scrutiny (March 2002) revealed that in response to the bid notice, 172 tenders were received. Of these, 92 tenders were found ineligible. Out of 80 eligible contractors, 10 contractors who furnished EC from payment of EMD requested the Department in May 1999 for withdrawal of offers on grounds of their inability to execute the work within the stipulated period. The EE in-charge of work accepted the plea but did not report to the EE who had issued EC for forfeiture of EMD.

Thus, inaction on the part of EE to invoke tender provisions and non-adherence to the Government directives resulted in undue benefit of Rs 61.08 lakh to contractors.

The matter was referred to the Secretary to the Government in November 2002. Reply has not been received (November 2003).

#### **4.4 Avoidable/excess/unfruitful expenditure**

##### **Agriculture, Animal Husbandry, Dairy Development and Fisheries Department**

#### **4.4.1 Unfruitful expenditure on patrol boats**

##### **Unfruitful expenditure of Rs 4.43 crore due to grounding of boats and Rs 9.06 lakh on maintenance of inoperative boats**

The Commissioner of Fisheries purchased four patrol boats, in April 1998 at a cost of Rs 4.43 crore out of Central assistance, for controlling illegal fishing, under the Maharashtra Marine Fisheries Regulation Act 1981.

Initially, the boats were kept in dock till September 1998 as staff to operate the boats was not sanctioned. Thereafter, all the four boats were operated by various private agencies on contract basis till March 2001. Thereafter till October 2001 only one boat was operational. The Government paid Rs 9.06 lakh to a private agency to maintain three non operative boats from April to October 2001. In October 2001, Government grounded all boats,



**A grounded patrol boat**

as they were uneconomical and anchored them at sea. As a result, the condition of the boats deteriorated. In August 2002, a new agency was engaged to hire boats for patrolling.

Thus, Government's inability to maintain and operate the boats economically, either departmentally or through private agencies resulted in grounding of these boats within three and half years of its purchase as against a normal life of 20 years. The purpose of purchasing the boats was not fulfilled besides the expenditure on the cost of boats and maintaining inoperative boats was largely unfruitful.

While confirming the facts in August 2003, the Government stated that approval to the proposal to write off the boats submitted to the Government of India in February 2002 is awaited (November 2003).

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| <b>4.4.2                      Avoidable extra expenditure</b> |
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| <b>Avoidable extra expenditure of Rs 38 lakh due to non-provision of separate domestic connection.</b> |
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A mention was made in the report of the Comptroller and Auditor General of India No. 3 (Civil), Government of Maharashtra for the year ended March 1995 regarding non-provision of separate domestic connections by Greater Mumbai Milk Scheme (GMMS) for water supply to its staff quarters.

Scrutiny of records revealed (March 2003) that GMMS took eight years to apply for a separate domestic connection for supply of water to its staff quarters. In the meantime the difference between commercial rate and domestic rate shot up from Rs 1.90 kilolitre in 1996 to Rs 7 kilolitre in March 2003. Separate connection was yet to be provided (September 2003).

The avoidable extra payment at commercial rate was Rs 38 lakh for the period from April 1996 to March 2003 with recurring extra expenditure of Rs 15 lakh *per annum* in future till separate meters are installed for domestic supply.

The matter was referred to the Secretary to the Government in September 2003. Reply has not been received (November 2003).

## General Administration Department

### Directorate of Information Technology

#### 4.4.3 Injudicious purchase of software

**Improper planning led to extra procurement of 2000 lotus software costing Rs 60 lakh and obsolete software application package valuing Rs 31 lakh.**

The Directorate of Information Technology (DIT), Mumbai was set up by Government (March 1998) for framing overall information strategy, its implementation and monitoring.

Scrutiny of records (August 2003) revealed that there was an injudicious purchase of software costing Rs 91 lakh as detailed below:

Government opted (March 1999) for Lotus Notes as messaging software required for the purpose of e-mail facility and similar applications. As per the initial planning, DIT purchased (March 1999) 3070 copies of communication software Lotus Notes at the rate of Rs 3000 costing Rs 92 lakh along with Lotus Smart Suite (cost Rs 78 lakh), a software used for generic PC application such as Word processing etc. The e-mail facility connecting 39 locations was set up in March 2000. Phase I of LAN for Mantralaya connecting 1206 input/output (IO) points was completed in March 2000 and Phase II connecting 664 IO points was completed in September 2001. Considering this development and initial planning, 3070 copies purchased in March 1999 were adequate. However, an additional purchase of 2000 copies of Lotus Notes costing Rs 60 lakh was made in November 1999 without verifying the utilisation of copies of Lotus Notes already purchased. Thus purchase of 2000 copies of Lotus Notes costing Rs 60 lakh (Rs 3000 each) was in excess of the requirement.

DIT and Joint Secretary to the Government stated (October 2003) that the Lotus communication package along with Lotus Smart Suite was preloaded in 3722 computers at the time of purchase of PCs and more licenses would be required for extending WAN/LAN to district and taluka level offices.

Reply was not tenable as the software was loaded in computers without verifying whether the preloaded PCs were put to use for e-mail purpose, having LAN/WAN connectivity, Modem and Telephone connectivity. Further, it was observed that Government was compelled to use obsolete technology to begin with the utilisation of the package as only 1800 e-mail IDs were created during the software's upgradation period of two years ie up to March 2001. Moreover, total number of IDs configured in user's PCs through Lotus Notes was 3723 only (June 2003) as against 5070 copies procured.

Relational Database Management System (RDBMS) such as IBM DB2 is used to develop database applications for computerisation of various functions of Departments. DIT purchased (March 1999) 3070 copies of IBM DB2, valuing Rs 31 lakh without any specific project plan for computerisation of any function. As against this only 275 copies of IBM DB2 was issued to Director of Land Records for computerisation of Land Records in March 2002 while the remaining 2795 copies DB2 valuing Rs 28 lakh were unutilised (June 2003). Further it was observed that as per purchase condition the upgradation of the software was only for two years ie up to March 2001, which expired prior to utilisation of the software.

DIT and Joint Secretary to the Government in its reply stated (October 2003) that DB2 was procured along with Lotus package to avail of the discount offered by the company. The package remained unutilised due to change in technology from Client/Server to Web/Browser based architecture and computerisation of other departments could not take off due to funds crunch.

The reply is not tenable as department failed in managing its Information Technology investments and short range planning for such functions.

### **Housing Department**

#### **4.4.4 Extra expenditure due to non-recovery of *pro rata* charges**

##### **Irregular payment of *pro rata* construction charges on behalf of Co-operative Housing Societies resulted in avoidable extra expenditure of Rs 91.51 lakh.**

Under the Development Control Regulations for Greater Bombay 1991, the owner, who surrenders free of cost his land required for road widening or for construction of new roads proposed under the Development Plan (DP), is eligible to get 100 *per cent* Floor Space Index (FSI) in lieu of land so surrendered subject to certain conditions for its utilisation. Brihanmumbai Municipal Corporation (BMC), while granting the additional FSI, recovers *pro rata* charges towards the cost of construction of the DP road from the owner.

Mumbai Housing and Area Development Board (Board), a unit of Maharashtra Housing and Area Development Authority, to which additional FSI of 19583 square metre (sq mt) was admissible on account of DP road potential at its Juhu - Vile Parle Development scheme, advertised (July 2000), sale of 19000 sq mt of FSI to the Housing Societies in the scheme at the prevailing zonal rate. According to the terms and conditions specified in the advertisement for sale of FSI, the purchaser was liable to pay *pro rata* charges to BMC on account of construction of DP road

Juhu Griha Swapna Co-operative Housing Society (Society) which responded to the advertisement was allotted 2289.20 sq mt of additional buildable area in May 2001 at a cost of Rs 76.40 lakh. The Society executed a legally valid undertaking to abide by the terms and conditions of allotment including



payment of *pro rata* charges to BMC. The Society was given No Objection Certificate for its development after it paid the cost.

The Society, despite its undertaking to pay the *pro rata* charges insisted that the Board should pay the *pro rata* charges of Rs 25.29 lakh directly to BMC out of the payments made by them. The Board without the required approval of the Authority, made the payment to BMC (February 2002), though the refusal of the Society to pay the charges was a breach of contract considering the legal undertaking given by it to the Board. The irregular decision had the effect of reducing the cost of FSI recoverable from the Society and avoidable extra expenditure of Rs 25.29 lakh.

The Board went a step further by paying *pro rata* charges amounting to Rs 66.22 lakh to BMC on behalf of four more Housing Societies to whom FSI aggregating 6095.39 sq mt was allotted on the same lines as in earlier case.

Thus, the irregular decision to pay the *pro rata* charges despite explicit contractual commitment by these Housing Societies and without taking formal approval of the Authority, resulted in avoidable extra expenditure of Rs 91.51 lakh.

The matter was referred to the Principal Secretary to the Government in June 2003. Reply has not been received (November 2003).

### Irrigation Department

#### 4.4.5 Avoidable expenditure

#### **Avoidable expenditure of Rs 3.15 crore was incurred due to non-compliance of Government orders to hand over completed projects.**

According to Government orders (December 1978) the Wambori Lift Irrigation Scheme in Wambori village of Rahuri taluka in Ahmednagar, constructed from Drought Prone Area Programme (DPAP) fund, was to be handed over on completion to the Rahuri Sahakari Sakhar Karkhana (RSSK), a co-operative body, for further management and maintenance thereof and no further liability in respect of the scheme was to be borne by State Government. A binding agreement to this effect was to be executed between the Government and RSSK before taking up the scheme. The Government approved (February 1980) the scheme to irrigate 977 hectares (ha) of lands. Executive Engineer, Minor Irrigation Division No.1 Ahmednagar (EE) (Executing Division) completed the work during 1979-1992 at a cost of Rs 1.76 crore and handed over (1993) to EE, Mula Irrigation Project Division Ahmednagar for maintenance.

Scrutiny (September 2001) of records of EE, Mula Irrigation Division. Ahmednagar (Maintenance Division) revealed that the work was taken up by the executing division without entering into any agreement with RSSK and an expenditure of Rs 3.15 crore was incurred on maintenance and repairs of the

scheme by the maintenance division during 1993-2003. Failure to hand over the scheme immediately after its completion to RSSK for further management and maintenance despite clear instructions from Government has thus, resulted in avoidable expenditure of Rs 3.15 crore.

The EE, Maintenance Division stated (September 2001) that an attempt was made to transfer the scheme to RSSK in July 2000 but the RSSK authorities expressed their inability to take over the scheme on economic grounds. The reply was not tenable as the executing division initially failed to enter into an agreement with RSSK before taking up the work in contravention of government orders. Further, the executing and maintenance division did not take up the matter at all with RSSK authorities neither during the course of construction nor after completion.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

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| <b>4.4.6</b> | <b>Excess payment to contractor</b> |
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| <b>Irregular sanction of extra item rate list resulted in excess payment of Rs 3.01 crore to a contractor.</b> |
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The work of Kashyapi Dam and its ancillary components in Nashik district was awarded (November 1992) to contractor 'A' on item rate at the cost of Rs 9.54 crore (27.71 *per cent* below estimated cost of Rs 13.19 crore). According to provisions of tender, casing material for providing and laying embankment for casing zone was to be paid at the tendered rate of Rs 19.50 per cubic metre (cum). During execution, quantity of casing material increased from 9.42 lakh cum to 20.20 lakh cum and as required quantity was not available within the limit of the quarries shown in the tender, the contractor had to go much deeper in the available quarries for casing material resulting in use of hard strata in casing zone. The contractor, therefore, demanded (August 1994) an extra rate of Rs 78 per cum for excavation of hard strata from the quarries.

On request of the Chief Engineer for considering the extra item, Government constituted a high level committee in April 1995. The committee concluded that quantity of casing material would increase upto 17.08 lakh cum, of which 5.66 lakh cum done upto March 1994 was to be treated to have been done in normal murrum and contractor paid at his quoted rate. The committee further recommended that due to difficulty in recording separate measurements for the work done with murrum and hard material simultaneously for quantity executed from 1 April 1994 onwards, the quantity to be paid as an extra item would be arrived at by considering 40 *per cent* of such quantity to have been done with hard material and to be paid under extra item for which extra rate may be fixed by Superintending Engineer (SE).

Scrutiny of records of the Executive Engineer, Medium Project Division Nashik (EE), revealed (December 2001) that upto 54<sup>th</sup> Running Account Bill

(February 2002) a total quantity of 20.20 lakh cum was paid to the contractor at his quoted rate of Rs 19.50 per cum. Further, an additional payment under extra item was also made for 10.04 lakh cum at an weighted rate of Rs 71.23 per cum amounting to Rs 7.44 crore as against 40 *per cent* quantity of hard strata executed beyond the initial quantity of 5.66 lakh cum, which worked out to 5.81\* lakh cum and balance quantity to be paid according to provision of tender. Thus payment in contravention of recommendation of high level committee resulted in excess payment of Rs 3.01 crore.

On this being pointed out, the EE stated (December 2001) that as per findings of the high level committee, only 10.17 lakh cum normal casing material was available for execution of item No.13. Hence quantity beyond this limit was paid as an extra item. The reply was not tenable as the high level committee had specifically recommended the mode of measurement and consideration of only 40 *per cent* of the quantity done beyond March 1994 as extra item.

The matter was referred to the Secretary to the Government in September 2003. Reply has not been received (November 2003).

#### **4.4.7 Avoidable expenditure**

##### **Unjustified construction of Head Regulator resulted in avoidable expenditure of Rs 1.23 crore.**

Government approved (March 1981) an irrigation project namely, Chapdoh Medium Project, Yavatmal to irrigate 3891 hectares of land. Subsequently, based on a request from the Maharashtra Water Supply and Sewerage Board now Maharashtra Jeevan Pradhikaran (MJP), Government decided (April 1994) to reserve the water from this project mainly for drinking purpose. Accordingly, Urban Development Department accorded administrative approval (April 1994) for Rs 27.20 crore to this water supply scheme and entrusted the project to Irrigation Department (ID) on behalf of MJP as deposit work.

Audit scrutiny (April 2001) revealed that MJP had intimated (August 1993) the ID that the Chapdoh Irrigation Project was converted for drinking water purpose so that construction of Head Regulator (HR) was not necessary. Chief Engineer, ID, Amravati submitted (November 1993) proposal to the Government to delete the construction of canal and HR. MJP again intimated (May 1997) to ID that construction of HR was not necessary.

Executive Engineer, Medium Project Division, Yavatmal (EE) awarded the work of construction of dam excluding gorge filling, HR etc to a contractor in July 1997. However, the work of HR which was not included in the scope of tender was allotted to the same contractor in March 1998 as an extra item though no canal and distribution system had been proposed/executed. The HR work was executed at a cost of Rs 1.23 crore. Since construction of HR was

\* 20.20 lakh cum – 5.66 lakh cum = 14.54 lakh cum x 40 *per cent* = 5.81 lakh cum.

not necessary due to conversion of the project into drinking water, expenditure of Rs 1.23 crore was avoidable.

On this being pointed out, the EE stated (March 2003) that decision of construction of HR was taken by Government in 1994. Reply is not acceptable as MJP had already intimated (May 1997) well before awarding the work of HR that HR was not required. Further, while according technical sanction it was specifically mentioned that water would be utilised for drinking purpose in future. Even Central Water Commission had also omitted this project in November 1997 from their sanction considering it to be a water supply scheme and no canal and distribution system had been proposed/executed.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November).

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| <b>4.4.8</b> | <b>Avoidable extra cost due to inclusion of irregular tender condition</b> |
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| <b>Non-compliance of Government directives in tendering procedure resulted in avoidable extra cost of Rs 59.22 lakh.</b> |
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To safeguard the Government's interest in case of very low percentage tenders, Government instructed (May 1998) to insert a condition in the notices inviting tender (NIT) about furnishing of additional Security Deposit (SD) by tenderer equal to 10 *per cent* of the difference between contractor offer and 90 *per cent* of updated estimated cost. While according approval to NIT for the construction of earthwork of main Dam of Popatkhedha Minor Irrigation Project in Akola, Government directed the Chief Engineer (CE), Irrigation Department, Amravati in September 1998 to incorporate the said condition in the NIT. However, while incorporating the condition of additional SD, the word 10 *per cent* was omitted and this remained unnoticed at all levels till acceptance of tender (March 1999).

Scrutiny of the records of the CE, Irrigation Department Amravati revealed (February 2001) that Executive Engineer, Minor Irrigation Division-II, Akola invited tenders for the above work estimated to cost Rs 14.66 crore. In response eight offers were received. The lowest offer at 14.05 *per cent* below the estimated cost was rejected on the plea that the tenderer had furnished additional SD of Rs 6.00 lakh only as against Rs 59.37 lakh and so the second lowest tender at 10.01 *per cent* below the estimated cost was accepted. The first lowest tenderer had furnished the correct amount of additional SD as per the specified policy of the Government but it was over looked due to omissions on the part of the department. Thus, omission on the part of department to incorporate the relevant clause according to Government directives had resulted in an avoidable extra cost of Rs 59.22 lakh due to rejection of first lowest offer.

On this being pointed out the CE stated (February 2001) that tender was approved by Government in March 1999 and detailed reply on this issue will be submitted in due course which has not been received till now (June 2003).

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

#### **4.4.9 Extra expenditure**

##### **Unnecessary provision of four additional electrically operated butterfly valves led to an extra expenditure of Rs 39.63 lakh.**

According to Government instructions (December 1995) tenders were to be invited after finalisation of design of rising main, types of valves and accessories by the Central Design Organisation (CDO), Nashik in consultation with Mechanical organisation. The work of construction of rising main for Haranghat Lift Irrigation Scheme in Chandrapur district which *inter alia* included laying of eight electrically operated Butterfly Valves (BFV) was technically sanctioned (March 1999) by Chief Engineer (CE), Irrigation Department, Nagpur on the basis of tentative design prepared (July 1998) by CDO. The work was entrusted (June 1999) to a contractor for Rs 11.36 crore at 6.90 *per cent*, above the estimated cost of Rs 10.63 crore for completion by June 2001.

Scrutiny of records (January 2002) of the Executive Engineer (EE), Minor Irrigation Division, Chandrapur revealed that the EE did not obtain final approval of the drawing from CDO before inviting tender as required under Government order of December 1995 and procured eight electrically operated BFV at a cost of Rs 79.26 lakh between November and December 2000. The Standing Committee of Government suggested (January 2001) that provision of one electrically operated BFV at the beginning of the main and one additional BFV would be sufficient as pipeline was 4.05 km long. The Committee also instructed that provision of BFV should be finalised after consultation with CDO Nashik. Accordingly only four electrically operated BFV, costing Rs 39.63 lakh would have served the purpose. Provision of four additional electrically operated BFV was unnecessary leading to an extra expenditure of Rs 39.63 lakh.

On being pointed out, the CE, Nagpur, stated (August 2002), that it was a collective conscious decision after studying and analysing all technical aspects.

The contention of CE was not acceptable as no justification was given for purchase of additional four BFV by deviating from standard practice of CDO's approval. Moreover, it was contrary to the recommendations of the Government Committee, which suggested procurement of only four electrically operated BFV for the project.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

**Public Health Department**

**4.4.10 Avoidable excess payment on water charges**

**Non-production of building completion certificate resulted in avoidable excess payment of Rs 89.66 lakh towards water charges.**

The Employees State Insurance Scheme (ESIS) Hospital, Thane had been functioning since April 1981. The Maharashtra Industrial Development Corporation (MIDC) supplies water to the hospital and staff quarters attached to it. Non-commercial consumers like aided-schools/colleges, Government and ESIS hospitals etc were levied domestic rates according to the categorisation done by MIDC in 1977. The MIDC however issued a circular in November 1997 stating that water charges at the rate 50 *per cent* higher than the normal rates would be levied from December 1997 onwards, if the building completion certificate was not produced.

Scrutiny of records of the ESIS hospital, Thane (June 2002) revealed that as the hospital authorities could not produce the building completion certificate, the MIDC levied and collected higher rates from the hospital from January 1998 to February 2003, which resulted in avoidable excess payment of water charges amounting to Rs 89.66 lakh.

The Medical Superintendent ESIS, Thane stated (August 2003) that building completion certificate could not be furnished as the duly certified drawings of the hospital and residential buildings were not available with the hospital and efforts were on to obtain the same from the departments concerned.

The reply is not tenable as the ESIS hospital authorities did not take adequate measures to obtain building completion certificate for more than 20 years and responded only after non-domestic water charges were levied by MIDC. Inability to furnish building completion certificate resulted in avoidable extra expenditure of Rs 89.66 lakh. No responsibility has been fixed on any officials as yet.

The matter was referred to the Principal Secretary to Government in June 2003. Reply has not been received (November 2003).

**4.4.11 Unjustified acquisition of eye hospital**

**Acquisition of eye hospital from a trust resulted in unfruitful expenditure of Rs 46.91 lakh on pay and allowances of the staff.**

Government decided (August 1992) to take over Abdul Gafar Khan Eye Hospital (Hospital) managed by Indira Rathod Trust (Trust) at village Mandvi in Kinwat Taluka of Nanded District as the Trust was unable to run the Hospital due to unsound financial position. The Hospital was taken over despite the fact that Mandvi was a small village with a population of 4000 only and a Rural Hospital (RH), established in February 1990, was already

providing treatments to eye patients. Government sanctioned (August 1992) 19 posts in different categories and took over (September 1992) the Hospital building.

Scrutiny of records of the Hospital (March 2003) revealed that inflow of outdoor patients ranged between two and 10 per day whereas the indoor patients and operations carried out ranged between 60 and 232 annually during 1992-1998. No operation was carried out since 1998 due to depleted condition of the Hospital building as no efforts were made by Civil Surgeon (CS) Nanded till March 2001 to carry out regular maintenance through Public Works Department (PWD). From February 1998, all eye operations were carried out only at RH and only routine eye check up was carried out in the Hospital resulting in idling of staff.

As the intake of patients in the Hospital was poor and the fact that a RH already existed in the small village, taking over the Hospital to obviate the financial difficulties of the Trust was not prudent, which led to unfruitful expenditure of Rs 46.91 lakh on pay and allowances of the staff of the Hospital between April 1998 and March 2003.

The CS stated (March 2003) that for proper utilisation of the available manpower and building, a proposal for modernisation of the Hospital was submitted (September 2000) to Government. However, no decision has been taken by Government till date and it continued to incur heavy expenditure on pay and allowances of the staff though the Hospital has neither the infrastructure nor financial resources to provide modern eye care treatment.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

### **Revenue and Forests Department**

#### **4.4.12 Unfruitful expenditure on setting up of Computer Training Centres**

#### **Expenditure of Rs 50.12 lakh incurred on setting up of Computer Training Centres was unfruitful.**

In the initial phase of computerisation, Government considered untrained manpower as a big constraint in the process of computerisation. Government, therefore, initiated a scheme for the employee training where course fees were reimbursed along with reward on successful completion of the course but the scheme was not a success. Government, therefore, decided (December 1998) to set up computer training centres (CTCs) at district level to train the employees.

The General Administration Department issued guidelines/instructions regarding setting up of CTCs in February 1999. Government sanctioned (March 1999) Rs 10 lakh each to seven districts (Bhandara, Gadchiroli,

Nagpur, Wardha, Yavatmal, Chandrapur and Ahmednagar) for setting up of CTCs, out of which 15 *per cent* (Rs 1.50 lakh) was meant for site preparation.

A test-check of records in the seven<sup>1</sup> CTCs at Collector Offices was conducted between January and May 2003. Following points were noticed:

➤ ***Defunct Computer Training Centres***

Though an amount of Rs 68.36 lakh was spent on setting up of computer training centres at these seven places, only two<sup>2</sup> centres were found to be regularly functioning. The details of courses conducted and number of staff trained at training centres as of April 2003 was as under:

| Sr No. | Name of Computer Training Centre | Date of starting of Computer Training Centre | Number of courses conducted | Number of staff trained | Remarks.  |
|--------|----------------------------------|--|-----------------------------|-------------------------|---|
| 1.     | Bhandara                         | Not yet started                              | Nil                         | Nil                     | Centre not started functioning yet.   |
| 2.     | Gadchiroli                       | 23 September 2002                            | 2                           | 60                      | Course conducted on 23 September 2002 and 11 March 2003 in District Control Room. |
| 3.     | Nagpur                           | 06 December 1999                             | 23                          | 448                     | --  |
| 4.     | Wardha                           | February 2000                                | 1                           | 18                      | Centre non-functional after conducting only one training course in June 1999.     |
| 5.     | Yavatmal                         | 11 July 2000                                 | 69                          | 210                     | --  |
| 6.     | Chandrapur                       | 14 May 1999                                  | 1                           | 49                      | Centre non-functional after conducting only one training course in May 1999.      |
| 7.     | Ahmednagar                       | 15 May 2000                                  | 4                           | Not Available           | Centre non-functional after conducting only four training courses in June 1999.   |

The hardware procured for CTC at Ahmadnagar, Bhandara, Chandrapur, Gadchiroli and Wardha were being utilised for office purpose in Collector's Office and these centres were non-functional even in April 2003, despite an expenditure of Rs 46.61 lakh. At Ahmednagar and Bhandara the CTC was being used as godown while the same was lying unused at Gadchiroli.

Collector, Bhandara stated that the CTC was non-functional due to absence of specific guidelines from Government and the hardware was, therefore, transferred elsewhere. Collector, Ahmednagar and Gadchiroli attributed their non-functioning to 'absence of provision of separate staff for the CTC' and 'requirement of hardware for introduction of single window system' respectively.

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<sup>1</sup> Ahmednagar, Bhandara, Chandrapur, Gadchiroli, Nagpur, Wardha and Yavatmal.

<sup>2</sup> Nagpur and Yavatmal



The contention of the department was, however, not acceptable as the hardware was procured for CTC only and its alternative use amounted to defeating the very purpose of the scheme.

Thus, the main purpose of opening the CTC could not be achieved at five of the seven such centres established by the Government.

The matter was reported to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

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

#### **4.4.13 Extra cost due to delay in identification of sites for schools**

#### **Delay in identification of school sites, resulted in extra expenditure of Rs 93.90 lakh and an additional liability of Rs 64.50 lakh.**

To improve primary education in rural areas, Government introduced (April 1989) a scheme of construction of single room school buildings (school). The ceiling limit for construction was Rs 0.90 lakh per school in non-tribal and Rs 1 lakh per school in tribal area. The expenditure was to be shared in the ratio of 40:60 between Zilla Parishad (ZP) and District Rural Development Agency (DRDA). A list of places identified by a designated Committee<sup>3</sup> for construction of schools was required to be furnished by Education Officer (EO) of concerned ZP to DRDA at the time of grant of its share.

Audit of the records of DRDA, Gadchiroli (January 2002) and subsequent information collected from ZP and DRDA, Gadchiroli in June 2002 and June 2003 revealed that ZP had released (February and March 1998) Rs 1.30 crore for construction of 335 schools during 1997-98 and Rs 1.22 crore (March 1999) for construction of 307 schools during 1998-99. The DRDA however could complete only 114 schools on sites identified during 1998-99. The construction of remaining 528 schools could not be taken up till May 2000 as the sites for school were not approved by the designated Committee. Meanwhile, the ceiling limit was revised (June 1999) to Rs 1.20 lakh and Rs 1.30 lakh per school in non-tribal and tribal area respectively which were not applicable to the works of 1997-98 and 1998-99. The ZP made available a list of 313 schools only in May 2000 and February 2001 and DRDA constructed 61 schools in 2000-01 at the revised cost using only ZP fund. In 2001-02, 252 schools were constructed by DRDA by sharing the proportionate cost.

Thus inordinate delay on the part of the Committee in identifying the places for construction of schools necessitated DRDA to construct the schools at higher rates, resulting in avoidable expenditure of Rs 93.90 lakh and creation

<sup>3</sup> Chairman and members of Education Committee formed at ZP.

of additional liability of Rs 64.50 lakh for construction of remaining 215 schools.

The ZP stated (June 2002) that the list was not ready because the Committee did not identify the places and hence there was delay. The reply was not acceptable, as the list of schools was to be furnished to DRDA along with of ZP's share.

The matter was referred to the Secretary to the Government in August 2003. Reply has not been received (November 2003).

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| <b>4.4.14</b> | <b>Unfruitful expenditure on incomplete wells</b> |
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| <b>Improper selection of beneficiaries and inadequate monitoring resulted in unfruitful expenditure of Rs 92.81 lakh on 859 incomplete wells.</b> |
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Million Wells Scheme (MWS), a Government of India (GOI) Scheme was implemented in the State since 1988-89 with the objective of providing open irrigation wells free of cost to poor, small and marginal farmers belonging to Scheduled Caste/Scheduled Tribes (SC/ST), non-SC/ST and freed bonded labourers, through the District Rural Development Agencies (DRDAs). The works were to be completed within a period of 12 months from the date of commencement.

MWS was merged with Swarnajayanti Gram Swarojgar Yojana in April 1999 and incomplete wells were to be completed under Employment Assurance Scheme which was eventually merged with a new scheme Sampoorna Grameen Rojgar Yojana (SGRY) implemented from April 2002. Works under the SGRY were to be taken up after completion of the on-going works. Accordingly, DRDAs were instructed to complete all the wells by March 2003 after which no funds would be available.

Scrutiny of records in various DRDAs and information obtained from the Rural Development and Water Conservation Department, revealed that 18485 wells were incomplete as on 1 April 1999, out of which the department completed 14500 wells upto October 2002 and 1445 wells were cancelled. Expenditure of Rs 21.22 lakh was incurred on 833 cancelled wells. The details of expenditure on the remaining 612 cancelled wells were awaited (October 2003). The balance 2540 wells were incomplete in 21 districts since 1988-89 onwards. Of these, 859 well were incomplete (June 2003) in 11 districts on which expenditure of Rs 71.59 lakh was incurred. The non-completion and cancellation of wells defeated the objective of the scheme. Information about expenditure incurred on balance 1681 incomplete wells was awaited (September 2003).

The DRDAs attributed the non-completion to negligence/lack of interest by the beneficiaries and presence of hard *strata* during digging etc. Reply is not tenable since the beneficiaries were selected on the basis of their applications after due scrutiny.

Thus improper selection of beneficiaries and lack of proper monitoring/follow up action by the Department resulted in unfruitful expenditure of Rs 92.81 lakh.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

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| <b>4.4.15</b> | <b>Unproductive expenditure on construction of Kolhapur Type Weir</b> |
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| <b>Substandard execution of Kolhapur Type Weir resulted in unproductive expenditure of Rs 59.04 lakh.</b> |
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Construction of Kolhapur Type (KT) Weir at Amana in Akola district intended to irrigate 109 hectares (ha) of land was completed in September 1997 at a cost of Rs 59.04 lakh.

Audit scrutiny (March 2001) revealed that against the targeted irrigation of 109 ha annually, a small area of 15 ha was irrigated during 1998 and since then no area was irrigated. The water stored in the KT Weir depleted in 1998 within three months from its storage and thereafter the weir never achieved its storage capacity of 298 thousand cubic metre (TCM) of water because of leakage from the right side key wall of the weir due to substandard execution of foundation and masonry work.

During inspection of the site, the Superintending Engineer (SE), Minor Irrigation Circle Amravati (December 1997 and December 1998) found that the leakages were due to substandard execution of work and lack of proper supervision on the part of departmental engineers during construction and even called for explanation from the responsible officials. Subsequently, SE sanctioned (May 1999) the estimate of Rs 3.64 lakh for measures to arrest the percolation of water but the repair work could not be taken up (August 2003).

The Executive Engineer (EE) Akola stated (August 2003) that the proposal for carrying out repairs by engaging a new agency was under consideration at SE level and the problem will be solved and targeted irrigation will be achieved. Reply is not acceptable as the depletion of stored water was not only due to leakages through the wall of the weir but also due to the typical characteristics of the strata in the river Katepurna, in the vicinity, as stated by the EE and therefore, storage of water is not certain even after carrying out the repair works.

Thus execution of substandard work, lack of proper supervision by the technical staff, and error in initial survey to classify the strata resulted in

unfruitful expenditure of Rs 59.04 lakh as no benefit accrued during the last six years. There is remote possibility of its utility in near future as well.

The matter was referred to the Secretary to the Government in August 2003. Reply has not been received (November 2003).

### **Urban Development Department**

#### **4.4.16 Avoidable liability towards payment of interest**

#### **Acceptance of balance loan after completion of work resulted in an additional interest liability of Rs 1.76 crore.**

Government approved (November 1992) Nagpur Municipal Corporation (NMC) proposal to raise loan for water supply scheme estimated to cost Rs 54.14 crore. Housing and Urban Development Corporation Limited (HUDCO) sanctioned (March 1993) a loan of Rs 20 crore at the rate of interest ranging from 14 *per cent* to 17.5 *per cent* repayable in 15 years. The NMC drew Rs 15.30 crore in five installments between March 1994 and October 1998 and placed the funds with Maharashtra Jeevan Pradhikaran (MJP) for execution. According to terms and conditions of the loan issued by HUDCO (January 1998), the deferment charges at 0.25 *per cent* on outstanding loan amount is charged in case agency request for deferment/rescheduling. However, borrowing agency can apply for deferment/rescheduling of the loan if agency has drawn the loan amount in part or in full.

Audit scrutiny of the records of NMC and MJP revealed (February-April 2003) that Rs 48.67 crore (Rs 12.63 crore Government subsidy, Rs 16.09 crore open market loan, Rs 15.30 crore loan from HUDCO and Rs 4.65 crore public contribution) was made available by NMC to MJP for execution of water supply scheme. The MJP had nearly completed the work (October 1999) at a cost of Rs 48.03 crore leaving residuary work for which an amount of only Rs 35 lakh was required. Meanwhile last installment of loan of Rs 4.70 crore was released by HUDCO in March 2000, which was accepted by NMC though NMC was aware that further funds were not required as per progress report of MJP. As the scheme was almost complete, the NMC still had the option to defer and reschedule the loan amount. Instead, NMC accepted the instalment in March 2000 and deposited in current account of the bank up to March 2003, which created an additional liability towards payment of interest amounting to Rs 1.76 crore for the period April 2000 to March 2003.

On being pointed out, the Commissioner, NMC stated in March 2003 that the amount was retained in current account pending demand from MJP. The reply was not acceptable in view of near completion of the work and non-requirement of additional funds by MJP as clearly stated by that organisation.

The matter was referred to the Secretary to the Government in July 2003. Reply has not been received (November 2003).

## Water Supply and Sanitation Department

### 4.4.17 Cost escalation on water supply scheme

#### **Delays in implementation of the scheme resulted in cost escalation of Rs 2.96 crore.**

Government administratively approved work of "Latur Water Supply Scheme, stage IV – Part II" (January 1990) for Rs 5 crore. The work order for transmission main and distribution system of the scheme was issued (April 1993) for completion in 24 months. The work was completed (July 2001) at a cost of Rs 8.14 crore, except some minor works, reported to be in progress.

Scrutiny of records of the Executive Engineer, Maharashtra Jeevan Pradhikaran (MJP) Works Division II, Latur (December 2000) revealed that though the administrative approval was accorded in January 1990, the working survey of the distribution system was got approved from the Chief Engineer in August 1992 only. The tenders were invited (October 1992) and finalised by MJP Central Office in March 1993 and work orders were issued (April 1993). The delays in conducting working survey (30 months) and finalisation of tenders increased the cost of the scheme necessitating revision of the estimate of the scheme. The revised estimate was submitted to Government in July 1995 only and Government approved it in October 1997 for Rs 9.01 crore.

The analysis of the cost increase submitted along with the revised estimate revealed that the cost escalation of Rs 2.96 crore was due to increase in DSR, escalation payment and high tender percentage directly related to the delays in commencement and execution of the work, which are attributable to the MJP. The delays were due to shortage of funds, stoppage of work for want of sanction to the revised estimate, delay in supply of cast iron pipes, delay in taking decision regarding usage of asbestos cement (AC) pipes etc. The Executive Engineer attributed (September 2003) these delays to administrative reasons at various levels.

Thus the delay at various stages resulted in cost escalation of the scheme by Rs 2.96 crore.

The matter was referred to the Secretary to the Government in August 2003. Reply has not been received (November 2003).

### 4.4.18 Unfruitful expenditure

#### **Non-functioning of Digital Water Level Recorders resulted in unfruitful expenditure of Rs 2.94 crore.**

Government of India (GOI) launched (1995-96) Hydrology Project (Project) with financial assistance from World Bank with a view to support major aspects of National Water Policy through improvement of the institutional, infrastructure and technical capacity building for measuring, processing and

disseminating quantity and quality data both for surface and ground water and related climatic data.

Under the Project implemented in the State, it was decided (December 1998) to install Digital Water Level Recorders (DWLRs) to obtain reasonably accurate results and record water levels at intervals of every six hours.

Scrutiny of records of the Director, Groundwater Survey and Development Agency (GSDA), Pune revealed that, 640 DWLR's (with 32 spares) costing Rs 2.94 crore were purchased from M/s Greenspan Technology Private Limited (Agency) in July 1999. These were installed between August 1999 and September 2000 but were not functioning satisfactorily since installation and have been declared beyond repairs due to water ingress.

M/s Greenspan Technology Private Limited neither repaired nor replaced the DWLR's despite repeated reminders. Meanwhile the warranty period also expired (July 2000). Though the DWLRs were not functioning properly since installation, the agency did not take adequate steps to get the performance bank guarantee (PBG) extended beyond July 2000 or encash the same before expiry. The Director, GSDA stated (November 2003) that the PBG for Rs 14.56 lakh expired in July 2000 and that the matter is proposed to be taken up with National Consumer Forum, New Delhi.



**Non functional Digital Water Level Recorder declared irreparable**

Thus, the objective of installation of DWLR's for enhancement of the Project results could not be achieved and expenditure of Rs 2.94 crore proved unfruitful.

The matter was referred to the Secretary to the Government in June 2003 and reminder was issued (September 2003). Reply has not been received (November 2003).

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| <b>4.4.19                      Avoidable expenditure on interest payment</b> |
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| <b>Unilateral decision taken with retrospective effect resulted in avoidable expenditure of Rs 2.66 crore on interest payment and legal charges/arbitration cost.</b> |
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The Maharashtra Jeevan Pradhikaran (MJP) implemented 118 Water Supply Schemes with World Bank assistance during March 1992 to March 2000. These works were divided into 34 slices with separate agreement for each slice. During execution, quantities of certain items exceeded 125 *per cent* of those shown in Bill of Quantities (BOQ) and there were certain deviations (extra items) also. Chief Engineer (CE), World Bank Cell, Thane adopted (March 1997) the rates of current district schedule of rates (DSR) plus 21.25

*per cent* for excess quantities/extra items with the approval of the Member Secretary, MJP. The contractors accepted the rates.

Scrutiny of records in MJP (January 2003) revealed that these rates were revised retrospectively to current DSR plus 10.25 *per cent* in April 1998 by the Water Supply and Sanitation Department

. As this unilateral decision of the Government/MJP was not acceptable to some contractors they went to the adjudicator under clause 24 of the contract agreement. In 11 such arbitration awards (decided between November 1999 and June 2001), the arbitrator upheld the claim of the contractors for payment of excess quantities/extra items at the rates decided in March 1997 and also allowed interest accrued thereon till the date of payment. On the advice of techno-legal consultant, the MJP accepted the award (July 2001) and paid between December 2000 and February 2002 an amount of Rs 6.18 crore (including interest Rs 2.40 crore and legal charges of Rs 26 lakh) in 21 cases.

Government replied (August 2003) that the decision to reduce the escalation from 21.25 *per cent* to 10.25 *per cent* had been taken after considering all the pros and cons and was in the interest of the Government.

The reply is not tenable as the escalation rate should have been fixed judicially in the initial stages itself and any subsequent reduction in the rates should have been made after due consultation with the contractors. The unilateral decision by Government/MJP resulted in avoidable expenditure of Rs 2.66 crore on interest payment and legal charges.

### Women and Child Welfare Department

#### 4.4.20 Supply of substandard food

**Supply of substandard food under a Government scheme resulted in non-achievement of its objectives and also rendered the expenditure of Rs 29.82 crore largely unfruitful.**

Centrally sponsored Integrated Child Development Scheme (ICDS), implemented in the rural, tribal and urban areas of the State from 1975-76, consists of supply of supplementary nutritious food and other allied medical services. While establishment expenditure on the scheme is borne by the Government of India (GOI), the expenditure on nutritious food and increased honorarium to Anganwadi workers are borne by the State Government.

According to the scheme, in urban localities, ready to eat food containing a minimum of six to eight grams of proteins yielding 250 to 300 calories is to be supplied to children between the age of six months and six years and pregnant women and nursing mothers belonging to low income families for 300 days in a year through urban centres and Child Development Project Offices (CDPOs).

The Director, Women and Child Welfare, Pune awarded (1996-97) contracts to 137 agencies for supply of cooked food at the rate of Re 1 per day (rate was fixed in March 1994) per beneficiary in Mumbai and suburbs through eight CDPOs and 400 centres under the Assistant Director, ICDS, Mumbai. An expenditure of Rs 21.19 crore was incurred in these offices on the scheme during 1996-2002. According to clause 15 of the tender, food samples were to be tested in Government laboratory at least twice in a month to ensure the requisite proteins/calories. In case, the samples were found substandard, fine at the prescribed rates was to be levied on the contractor and the contracts were to be cancelled if there was no improvement in the quality.

Scrutiny of test reports of food samples in eight CDPOs in Mumbai and suburbs and 400 Special Nutrition Programme centres under Assistant Director, ICDS, Mumbai and Commissioner, ICDS, Navi Mumbai in October 2002 and Women and Child Development Department, Mantralaya, Mumbai in January 2003, revealed that during 1996-2002, almost 80 *per cent* of the samples tested were found to contain less protein/calories than the prescribed norms.

The CDPOs/Assistant Director reported the matter to the Commissioner, ICDS from time to time since 1996-97 and recovered Rs 24.55 lakh as penalty during 1997-2002 from various agencies for supplying substandard food. However, the Commissioner did not take any penal action on the ground that Government could not finalise fresh tenders for supply of food on earlier two occasions as the suppliers filed a writ in the court and the Government extended the existing contracts. The court dismissed the writ petition of agencies (June 2001). Even thereafter the Commissioner failed to take any action and during 2001-2003 an expenditure of Rs 8.63 crore was incurred. In this interim period 100 *per cent* samples tested in six centres were found substandard. Non-revision of the rate for the last nine years could be one of the reasons for supply of substandard food.

When pointed out by Audit, the Commissioner who is competent to cancel the contracts instead of taking action brought the matter to the notice of Government (April 2002).

Thus, inaction on the part of the Commissioner and his failure to apprise the Government in time resulted in continued supply of substandard food and thereby non-achievement of the objective of the scheme, rendering expenditure of Rs 29.82 crore on the scheme largely unfruitful.

The matter was referred to the Secretary to the Government in April 2003. Reply has not been received (November 2003).



#### **4.5 Idle investment/idle establishment/blockage of funds**

##### **Agriculture, Animal Husbandry, Dairy Development and Fisheries Department**

#### **4.5.1 Idle investment**

##### **Construction of chilling centre costing Rs 1.27 crore despite it being unviable.**

Government accorded approval (March 1998) to a proposal by the Dairy Development Commissioner (DDC) (1997), for construction of chilling centre with capacity of 5000 litres per day (LPD) at Karanja-Lad in Akola district. The approval was given even though the proposal did not contain any specific details of milk collection in the area. The Dairy Development Department commissioned (September 2002) a chilling centre at Karanja-Lad in Akola district with a capacity of 5000 LPD at a cost of Rs 1.27 crore.

Scrutiny of records of DDC (September 2002) revealed that approval for 5000 LPD chilling centre was accorded even when the economic viability of the project was doubtful with average collection of milk in the area during five years ending 1996-97 being very low ranging from 367 to 521 LPD.

Further, before construction of the project, the District Dairy Development Officer had also reported in December 2000 that the milk collection in the area during the preceding three years was only 125, 229 and 150 LPD in 1998-99, 1999-2000 and 2000-01 respectively and there was no scope for increase in milk collection in near future and that the project was not viable. Despite this the plant was set up (September 2002).

Average milk collection during September 2002 to July 2003 was abysmally low at 383 LPD, being less than 10 *per cent* of the capacity installed. Thus, the construction of chilling centre with capacity of 5000 LPD despite knowing the fact that the project was economically unviable resulted in infructuous expenditure of Rs 1.27 crore.

The matter was reported to the Secretary to the Government in September 2003. Reply has not been received (November 2003).

#### **4.5.2 Delay in closing of unviable chilling centres**

##### **Delay in transferring the staff from closed chilling centres resulted in idle wages of Rs 97 lakh.**

The operations at chilling centre, Nawapur (capacity: 10000 litres per day) in Dhule district and at Rajur (capacity: 5000 litres per day) in Ahmednagar

district were stopped in March 1990 and February 1997 for want of sufficient milk collection.

Dairy Development Commissioner (DDC) sent a proposal for closure of chilling centre at Nawapur in June 1996 after a gap of six years from cessation of operations. Similarly, proposal for closure of chilling centre at Rajur was sent in March 2001, after four years from stoppage of operations.

The Government accorded approval for closure in August 1998 for Nawapur centre and in May 2001 for Rajur centre. Finally, staff at Nawapur centre was transferred to other units in March 1999 and at Rajur in May/September 2002. Inordinate delay in closure of chilling centres and transfer of staff to other units resulted in payment of idle wages aggregating Rs 47.88 lakh at Nawapur and Rs 49.26 lakh at Rajur.

The matter has been referred to the Secretary to the reported to Government in September 2003. Reply has not been received (November 2003).

### **Medical Education and Drugs Department**

#### **4.5.3 Blocking of funds**

##### **Improper planning in execution of a scheme resulted in blocking of funds of Rs 8.29 crore and recurring rental liability of Rs 6.5 lakh.**

The Maharashtra University of Health Science (MUHS) was set up in Nashik (June 1998) to disseminate and preserve knowledge of health science, to conduct teaching, survey, research and also for equitable distribution of health service facilities in the society etc. As MUHS was functioning from rented premises, the Government approved the proposal for construction of the MUHS building (December 1998) for Rs 30.73 crore. The work was divided into phase I consisting administrative building, guest house, library, officers' quarters, gates, internal roads, etc and phase II comprising of auditorium hall complex, health centre and gymkhana, staff quarters, additional infrastructure etc. Phase I work was technically approved by the Chief Engineer, Public Works Department, Nashik (May 1999) for an estimated cost of Rs 13 crore.

In order to complete the work quickly, the phase I work was divided into three packages and was awarded (July 1999) to three contractors with stipulated date of completion as 5 October 2000. However, due to short release of funds by the Government, the contractor was asked to stop the works of library, guest house and quarters



**Incomplete administrative building**

(April 2001) and works of the administrative building, compound wall and internal roads (June 2002). Works were completed to the extent of 53 to 73 *per cent* after incurring an expenditure of Rs 8.29 crore.

Thus, taking up the construction of all the components of work simultaneously without ascertaining the availability of the funds resulted in blocking of Rs 8.29 crore for more than two years and avoidable recurring expenditure of Rs 6.5 lakh *per annum* towards rent for the last four years for the premises presently occupied by the MUHS. All the works were at a standstill (September 2003) and the delay would also result in cost escalation due to time overrun.

Government replied (September 2003) that it has been decided to provide sufficient funds to complete the work (phase I) of the ground floor of the administrative building and hand over the same to the MUHS to effect savings in the expenditure incurred on annual rent.

However, no decision has yet been taken on the major remaining portion of phase I. Further, the work in respect of the administrative building is also yet to be completed.

### Public Health Department

#### 4.5.4 Blocking of funds and wasteful expenditure due to injudicious purchase

**Funds of Rs 50.94 lakh were blocked due to injudicious purchase of ayurvedic medicines and wasteful expenditure of Rs 20.10 lakh due to non-utilisation of medicines before their expiry dates.**

Employees State Insurance Scheme (ESIS), implemented in the State since 1952 by the Commissioner, ESIS, provides medical care to insured persons and their family members through hospitals, dispensaries and specialist centres run under the scheme. The medicines required by these hospitals, dispensaries, specialist centres, approved chemists etc are procured by the Commissionerate every year by making provision in the budget and the expenditure thereon is subsequently got reimbursed from Employees State Insurance Corporation (ESIC), New Delhi at the prescribed rates. In order to streamline the process of procurement of medicines, Government introduced (September 1987) a uniform purchase mechanism in the State which *inter alia* empowered the Commissioner to make purchases upto 70 *per cent* of expenditure and costly medicines.

Scrutiny of records at the Commissionerate, ESIS hospitals at Kandivali, Thane and Ulhasnagar, ESIS dispensary at Dhule and Administrative Medical Officer, Dadar (between May 2001 and March 2003) revealed that the Commissionerate placed purchase orders (March 2000) with Messers Upkaran Pharmaceuticals, Bhopal (a rate contract company approved by Director of Medical, Education and Research in July 1999) for supply of ayurvedic

medicines without any requisition/indents from the hospitals/dispensaries/specialist centres/chemists and without ascertaining their actual requirement. The agency supplied the medicines worth Rs 1.07 crore between May and June 2000.

It was, however, observed that, medicines worth Rs 71.04 lakh were lying unutilised as of July 2003 even after three years of procurement primarily due to the fact that none of the ESIS hospitals, dispensaries have ayurvedic doctors. The above medicines included time barred medicines worth Rs 20.10 lakh.

In order to avoid accumulation of stock of ayurvedic medicines, the Commissioner issued a circular in November 2000 advising the allopathic doctors, to prescribe ayurvedic medicines, though they were not qualified to do so. This circular was subsequently withdrawn in May 2001. The Commissioner, ESIS in reply stated (August 2003) that there were no clear records to indicate the circumstances under which such large quantities of ayurvedic medicines were purchased and that a departmental enquiry against the then Director (Medical) is in progress since February 2002.

Thus the injudicious purchase of non-essential ayurvedic medicines without assessing the requirement not only resulted in blocking of funds to the tune of Rs 50.94 lakh but also in wasteful expenditure of Rs 20.10 lakh due to non-utilisation of certain medicines before expiry dates.

The matter was referred to the Principal Secretary to the Government in July 2003. Reply has not been received (November 2003).

## **Revenue and Forests Department**

### **4.5.5 Irregularities in land acquisition cases**

#### **Irregularities in land acquisition cases resulted in blocking of Rs 5.19 crore paid as compensation.**

Government decided (August and September 1996) to acquire 794.49 hectares of private land for construction of Dindora barrage and pump house on Wardha river on behalf of Central India Power Company Limited (CIPCO) for Thermal Power Project at Bhadravati in Chandrapur district. Government appointed (August 1996) Special Land Acquisition Officer (SLAO) to acquire the land, cost of which was to be recovered from CIPCO.

Scrutiny of the records (March 2003) of SLAO, Nippon Denro Ispat (NDI), Wardha revealed that the SLAO had acquired 473.78 hectares of land between March 1998 and May 2002 and paid Rs 5.19 crore as compensation to the land owners between May 1998 and February 2001. Further 76.26 hectares of land was acquired in 2001-02 for which compensation of Rs 81.97 lakh was yet to be paid to the land owners (August 2003). Payment for acquired land was, however, not made by CIPCO.

Meanwhile, Government put on hold the Thermal Power Project and also closed (September 2001) the issue of Dindora Barrage Water Supply Agreement which was directly related to construction of barrage and withdrew (January 2002) the land acquired by it for Coal Mine intended to be used for supply of Coal to the CIPCO after an objection from Ministry of Defence.

Under the present circumstances, possibility of Thermal Power Project coming up is remote and consequently, there is a little chance of construction of Dindora Barrage and pump house.

Thus, failure on the part of Government to assess the feasibility of project, has resulted in blocking of Rs 5.19 crore paid as compensation to land owners, besides creating liability of Rs 81.97 lakh for the land acquired for which compensation was to be paid.

➤ ***Non-recovery of establishment cost***

The Land Acquisition Manual provides that the SLAO appointed for acquiring land for Local Bodies, Companies, Corporations, Commercial Departments etc. are entitled to recover the expenditure on percentage basis as prescribed for reimbursement for the entire establishment expenditure.

Scrutiny (March to May 2003) of the records maintained by the three<sup>4</sup> SLAO's, revealed that these offices were specially created by Government in August 1996 and October 1997 for acquisition of land for Dindora Barrage Project, Vidarbha Irrigation Development Corporation (VIDC), and Maharashtra Krishna Valley Development Corporation (MKVDC). As such, for acquisition of land on their behalf, the cost of establishment was required to be recovered from these agencies. However, none of the SLAO, had recovered the amount from these agencies for the period from 1997 to 2003. This has resulted in non-recovery of establishment cost amounting to Rs 75.07 lakh

When the omissions were pointed in audit SLAO, VIDC, Wardha and SLAO MKVDC, Osmanabad stated that the demand notices would be issued while SLAO, Nippon Denro Ispat had raised the demand.

The matter was referred to the Secretary to the Government in July 2003). Reply has not been received (November 2003).

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<sup>4</sup> SLAO, NDI, Wardha, SLAO, VIDC, Wardha and SLAO, MKVDC, Osmanabad

## **Water Supply and Sanitation Department**

### **4.5.6 Blockage of funds on water supply schemes**

#### **Non-adherence to rules, non-payment of dues and non-provision of funds resulted in blockage of funds of Rs 11.09 crore.**

Maharashtra Jeevan Pradhikaran (MJP) was established by the Government (January 1977) for preparation of plan/estimates for Water Supply Schemes (WSS) and their execution through its various divisions spread all over the State. Scrutiny of the records related to execution of such schemes in three divisions of the MJP revealed Rs 11.09 crore were blocked on incomplete WSS as detailed below:

- The Deulgaon Sakarsha Regional Rural WSS district Buldhana was awarded to an agency at the cost of Rs 3.77 crore (September 1999) by the Executive Engineer (EE), MJP Works Division 1, Buldhana with stipulated period of completion as 18 months. The contractor executed work to the extent of Rs 1.72 crore (March 2003) and then stopped the work due to objection from Forest Department, from whom prior permission was not obtained. This resulted in blockage of funds of Rs 1.72 crore besides depriving the beneficiaries of water supply. The EE stated (October 2003) that the matter was taken up with Forest Department and will be hastened.
- The work of “Regional Rural WSS to 42 villages in Nandgaon and Chandwad Talukas district Nashik” was awarded to an agency (May 1999) at Rs 22.97 crore by the EE, MJP Works Division, Malegaon with stipulated period of completion as 18 months. The contractor executed work costing Rs 8.33 crore (December 2001) and since then work is at standstill. The work could not be completed due to paucity of funds and stoppage of head works by Irrigation Department (July 1999) and due to non-payment of its proportionate share of Rs 4.55 crore by MJP. Thus non-adherence to the stipulated rules resulted in blockage of funds of Rs 8.33 crore for nearly two years. The EE stated (October 2003) that the matter was being pursued with the Government.
- The work of “Ghorwad and five villages WSS” Taluka Sinnar, district Nashik was awarded at Rs 1.80 crore (May 1999) to an agency by the EE, MJP Works Division, Nashik, with stipulated period of completion as 18 months. The agency executed work costing Rs 1.04 crore (January 2002) and stopped the same due to non-payment of bill as the MJP was short of funds. The EE stated (September 2003) that the contractor had not started the work for want of an assurance for payment in writing from the MJP. Thus non-provision of sufficient funds resulted in stoppage of work and consequent blockage of funds of Rs 1.04 crore, besides non-achievement of the objective of water supply to the villagers.

The matter was referred to the Secretary to the Government in August 2003. Reply has not been received (November 2003).

#### **4.5.7 Blockage of funds on incomplete water supply scheme**

##### **Delays in implementation of a water supply scheme resulted in blockage of funds of Rs 84.77 lakh.**

The work of "Augmentation to Palghar and 26 villages Regional Rural Water Supply Scheme"(with the objective of supply of 55 litre *per capita* per day (LPCD) water by the year 2026) was administratively approved by Government (April 1997) and technically sanctioned by Chief Engineer, Maharashtra Jeevan Pradhikaran (MJP), Konkan Region, Thane (April 1998). The scheme was to be executed by MJP with grants-in-aid from Government and on completion the same was to be handed over to the Zilla Parishad, Thane for its running and maintenance. The work was awarded (November 1998) to a contractor at the tendered cost of Rs 10.65 crore which was 21 *per cent* below the estimated cost of Rs 13.48 crore. The work was scheduled to be completed on 15 November 2000.

Scrutiny of the records of Executive Engineer, MJP Works Division, Thane (December 2001) and information collected from the Division subsequently revealed that during the execution of work, MJP made changes in the site of water treatment plant (WTP) and alignment of pipe line for which clearance of Forest Department was required, which was not obtained (the proposal was sent to the Forest Department only in January 2000). The contractor's bills were not paid in time due to financial problems. Therefore, contractor requested the MJP (May 2001) to relieve him from the work under clause 15\* after executing approximately 8 *per cent* of works costing Rs 84.77 lakh.

Since the Government was unable to finance the scheme, it decided to implement the same as per revised policy of February 2000 by reducing the supply of water from 55 to 40 LPCD for villages, deleting certain villages which were already having water supply of 40 LPCD and increasing supply to 70 LPCD to Palghar Municipal Council area. The modified scheme was to be financed either by popular contribution (10 *per cent*), Government grants (40 *per cent*) and loan (50 *per cent*) as applicable to 'B' class Municipal Councils or popular contribution (10 *per cent*) and grants (90 *per cent*) applicable to Rural Water Supply Schemes. Since the entire scheme had to be recast entailing major deviations from the contract provision, the contract was terminated (September 2002) under clause 15.

Thus, delay in execution of work by the contractor, change in site of WTP and alignment during execution, delay in obtaining forest clearance for new site and subsequent fund problems resulted in blockage of funds of Rs 84.77 lakh

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\* When the total suspension of work exceeds 90 days the contractor shall be at liberty to withdraw from the contractual obligation relating to unexecuted works.

on the scheme defeating the very objective of increased water supply to the beneficiaries.

The Chief Engineer, Konkan Region stated (February 2003) that the work already executed would be utilised in the modified scheme when sanctioned and executed. The modified water supply scheme only for Palghar Municipal Council which was submitted to Government (September 2003) has not yet been approved (November 2003).

The matter was referred to Secretary to Government of Maharashtra in April 2003. Reply has not been received (November 2003).

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

##### **Finance Department**

#### **4.6.1 Functioning of Treasuries**

##### **Irregularities noticed during the inspection of treasuries.**

The major irregularities noticed during inspection of 29 treasuries by the Accountant General (A and E) Mumbai and Nagpur during 2002-03 are brought out in the following paragraphs.

##### **➤ *Overpayment of pension***

Overpayment of pensionary benefits of Rs 54.76 lakh was made to 319 pensioners/family pensioners during 2002-03 due to incorrect calculations of dearness relief, interim relief admissible on pension, non-reduction of family pension from the specified date in pension payment order and non-adjustment of provisional death-cum-retirement gratuity.

##### **➤ *Drawal of Abstract Contingency bills for purposes not covered by Rules***

According to Maharashtra Treasury Rules (MTR) 1968, countersigned contracts are to be drawn on Abstract Contingency (AC) Bills strictly for purposes detailed in Maharashtra Contingency Expenditure Rules (MCER), 1965.

Inspection of the AC Bills drawn during the year 2001-02, revealed that, in 6 cases, the Treasury Officer (TO), Pune had permitted drawal of funds to the tune of Rs 31.89 lakh for purposes other than those approved, thereby breaching the provisions of MTR 1968 and MCER 1965.

##### **➤ *Reconciliation of Deposit Balance***

According to MTR 1968, TOs are required to reconcile the balances of deposit transactions with the balances appearing in the books of Accountant General (A and E) but TOs of Nasik, Raigad, Satara, Sindhudurg and Thane did not reconcile the balances for periods ranging from one to two years.



➤ ***Excess drawals***

According to MTR 1968, every payment made on the authority of any letter of credit (LOC) must without fail be noted at the time of payment under the TO's initial in the appropriate register or on the reverse of the LOC. The TO must bear in mind that the LOC shows the maximum amount he has been authorised to pay and progressive totals of such payments must be recorded so as to avoid the risk of over payment.

Treasury inspection of Ratnagiri revealed that while the sanctioned amount of the LOC was Rs 15.21 crore, the District Supply Officer passed an amount of Rs 15.99 crore thereby exceeding the limit of the LOC by Rs 78 lakh.

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| <b>4.6.2</b> | <b>Outstanding Inspection Reports, Departmental Audit Committee Meetings, Follow-up on Audit Reports and Action Taken Notes</b> |
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| <b>Failure to enforce accountability and protect the interests of Government.</b> |
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➤ ***Outstanding Inspection Reports***

The Accountant General (Audit) arranges to conduct periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) to the Heads of Offices inspected with a copy to the next higher authorities. A half yearly report of pending IRs is sent to the Secretary of the Department concerned to facilitate monitoring of action taken on audit observations in these IRs.

Inspection reports issued up to December 2002 pertaining to 26 departments disclosed that 23480 paragraphs relating to 9446 IRs were outstanding at the end of June 2003. Yearwise position of the outstanding IRs and paragraphs are detailed in the **Appendix XXVI**.

➤ ***Departmental Audit Committee Meeting***

In order to settle the outstanding audit observations contained in the Inspection Reports, Departmental Audit Committees have been constituted by the Government. During 2002-03, only five\* out of the 26 departments convened 14 meetings of the Audit Committee. Out of 12272 paras outstanding against these five departments, 1439 paras were discussed in the meetings, of which, 562 paras were settled.

For ensuring prompt compliance and early clearance of the outstanding paragraphs, it is recommended that Government should address this issue seriously and ensure that an effective procedure is put in place for (a) action against the officials who fail to send replies to IRs/paragraphs as per the

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\* Agriculture, Animal Husbandry, Dairy Development and Fisheries, Home, Public Works, Revenue and Forests and Rural Development and Water Conservation.

prescribed time schedule, (b) action to recover loss/outstanding advances/overpayments in a time bound manner and (c) revamping the system in the Department for proper response to the audit observations.

➤ ***Follow up on Audit Reports***

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

The position of outstanding EMs from 1996-97 to 2001-02 is as follows:

| <b>Audit Report</b> | <b>Date of tabling the Report</b> | <b>Number of Paragraphs/ Reviews</b> | <b>Number of EMs received</b> | <b>Balance</b> |
|---------------------|-----------------------------------|--------------------------------------|-------------------------------|----------------|
| 1996-97             | 7 August 1998                     | 64/9                                 | 57/9                          | 7/0            |
| 1997-98             | 20 December 1999                  | 59/10                                | 52/8                          | 7/2            |
| 1998-99             | 30 November 2000                  | 39/8                                 | 27/6                          | 12/2           |
| 1999-2000           | 14 December 2001                  | 49/6                                 | 31/6                          | 18/0           |
| 2000-01             | 29 April 2002                     | 36/7                                 | 19/6                          | 17/1           |
| 2001-02             | 22 July 2003                      | 50/1                                 | --                            | 50/1           |
| <b>Total</b>        |                                   | <b>297/41</b>                        | <b>186/35</b>                 | <b>111/6</b>   |

➤ ***Action Taken Notes***

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

| <b>Audit Report</b> | <b>Total number of paras in the Audit Report</b> | <b>Number of paras</b> |                      | <b>ATN awaited in respect of paras</b> |                      |
|---------------------|--|------------------------|----------------------|--|----------------------|
|                     |  | <b>Discussed</b>       | <b>Not discussed</b> | <b>Discussed</b>                       | <b>Not discussed</b> |
| 1985-86 to 1990-91  | 407  | 60                     | 347                  | 40                                     | 347                  |
| 1991-92             | 62   | 7                      | 55                   | 6                                      | 55                   |
| 1992-93             | 53   | 6                      | 47                   | 4                                      | 47                   |
| 1993-94             | 69   | 20                     | 49                   | 12                                     | 49                   |
| 1994-95             | 65   | 22                     | 43                   | 21                                     | 43                   |
| 1995-96             | 61   | 19                     | 42                   | 18                                     | 42                   |
| 1996-97             | 73   | 14                     | 59                   | 14                                     | 59                   |
| 1997-98             | 72   | --                     | 72                   | --                                     | 72                   |
| 1998-99             | 47   | --                     | 47                   | --                                     | 47                   |
| 1999-2000           | 55   | 1                      | 54                   | 1                                      | 54                   |
| 2000-01             | 43   | --                     | 43                   | --                                     | 43                   |
| 2001-02             | 50   | --                     | 50                   | --                                     | 50                   |
| <b>Total</b>        | <b>1057</b>                                      | <b>149</b>             | <b>908</b>           | <b>116</b>                             | <b>908</b>           |