

CHAPTER II

AUDIT OF TRANSACTIONS

2.1 Infructuous/wasteful expenditure and overpayment

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

2.1.1 Infructuous expenditure

Lack of monitoring of a development programme and ad hoc payment of the first installment of assistance to the NGOs resulted in non-completion of the programme and infructuous expenditure of Rs.80.81 lakh.

Government of India (GOI) launched (2003-04) Rashtriya Sam Vikas Yojana (RSVY). The programmes under RSVY were to be implemented by Rural Development Department through District Rural Development Agency (DRDA). The scheme was intended to improve living conditions of beneficiaries who were selected on the basis of their position in BPL index of 0-16. GOI was to provide grant of Rs.15 crore per year for three years. Panchmahal (Godhra) district being a tribal district of the State was selected under RSVY on the basis of index of backwardness. The District Plan of Panchmahal district approved (March 2006) by GOI, included setting up orchard plantations in 0.20 Ha pieces of land called Wadi with local drip and traditional irrigation facilities. BPL families were to be provided good quality mango, amla, drumstick, lemon plants etc. and given training for nurturing the wadi. The project envisaged plantation of 43 plants per Wadi. A unit cost of Rs. 10000 per Wadi was fixed and it was decided to cover 10000 BPL families. The expenditure was to be shared in the ratio of 50:50 between the Central Government and the beneficiaries. DRDA, Godhra decided (August 2006 and October 2006) to develop 4790 Wadis¹ and awarded the work to three Non-Governmental Organizations² (NGOs). The NGOs were required to identify the beneficiaries on the basis of the lists of BPL families finalized by Government and were required to produce photographs, videos and documentation before commencement of work. They were to submit forms which included inter-alia information regarding the beneficiaries identified, details of land holdings of beneficiaries and their ranking in the BPL index. As per administrative approval (August 2006) the organizations were responsible to complete the work in four years and the payment was to be made in three annual installments³ after verification of

¹ 2790 wadis in August 2006 and 2000 wadis in October 2006

² Mahatma Gandhi Pratisthan, Dahod (2338), Samanvay Resources Centre, Devgadhi Baria (378) and Eklavya Adijati Vikas Mandal, Dahod (2074)

³ Rs. 3750 per wadi in the first year, Rs. 750 per wadi in the second year and Rs.500 per wadi in the third year

the actual progress achieved. In case of non completion of preliminary work such as selection of BPL families, submission of layout plans, obtaining approval from local panchayat committee, providing water facilities, pesticides, fertilizers, training etc. in time by the NGOs or the work not being carried out satisfactorily, the work was to be cancelled.

Audit scrutiny of records (February 2009) of DRDA, Godhra revealed that on a request from NGOs appointed for the work, DRDA, Godhra released 50 per cent of the amount of first installment on *ad hoc* basis for purchase of implements, plants, fertilizers and pesticides to complete the preliminary work: Rs. 45.23 lakh (October 2006) and Rs.44.58 lakh (December 2006) against first installment (Rs. 1.80 crore). DRDA, Godhra took up verification (December 2007) of forms submitted by NGOs and also sent verification teams for on-spot inspection (February 2008) of Wadis. Then a third party inspection was also conducted by Institute of Rural Management, Anand (IRMA), whose report (May 2009) revealed that out of targeted 4790 Wadis for which advance *ad hoc* payments were made by DRDA to three NGOs, 4710 (98 per cent) forms were received. During physical verification of Wadis it was observed that no plantation was set up in 1635 Wadis and in respect of 3155 Wadis fertilizers, pesticides, enough plants, training and water facilities were not provided by the NGOs. The value of work done by NGOs was assessed at Rs. 9 lakh (Approx.) leaving an amount of Rs. 80.81 lakh to be recovered from them.

In response to an Audit observation, DRDA, Godhra replied (February 2009 and April 2009) that payment of assistance on *ad hoc* basis was made to avoid adverse effect on preliminary works to be carried out by the NGOs and to avoid loss of Central assistance and that further assistance to defaulting NGOs was withheld and notices for recovery of assistance released were served on the three NGOs in June 2008 for Rs.22.57 lakh.

The DRDA failed to monitor the work of the implementing agencies, exercising timely check on the number of forms submitted by the NGOs or in their completeness and to carry out spot verification to assess the progress of the work. This resulted in the expenditure of Rs.80.81 lakh being rendered infructuous and the envisaged community development work remained unrealized, thus depriving the intended beneficiaries of improvement in their living conditions.

Government stated (July 2009) that detailed field verification had since been entrusted to IRMA. The report submitted (May 2009) by IRMA pointed out serious irregularities and deficiencies in the work carried out by the three NGOs and failure to comply with the conditions governing the sanction of grants to them. As a result criminal complaints were lodged (May 2009) against the NGOs and recovery notices were issued to the three NGOs for a further amount of Rs.58.23 lakh (May 2009). Thus, an amount of Rs.80.81 lakh was required to be recovered from the three NGOs.

2.2 Violation of contractual obligations/undue favour to contractors

NARMADA, WATER RESOURCES, WATER SUPPLY & KALPSAR DEPARTMENT

2.2.1 Undue financial aid to contractor

Release of excess amount in violation of contractual obligation resulted in undue aid of Rs.1.67 crore to the contractor.

Executive Engineer, Public health works division, Nadiad (Division) of Gujarat Water Supply & Sewerage Board (GWSSB) awarded (November 2006), a work of Designing, Constructing and Maintenance of Kapadvanj South group water supply scheme⁴ on turn-key basis to M/s IVRCL infrastructure Project Ltd., Hyderabad at a tendered cost of Rs.28.75 crore. The work order was issued (November 2006) with stipulated period of completion of 12 months (29 October 2007).

As per agreement, the agency was entitled for payment at 60/65 *per cent*⁵ of value of pipes on its receipt at site and up to 75/80 *per cent*⁶ when work on laying, lowering, jointing etc. is completed.

Scrutiny of records (July 2008) of the division revealed that the agency brought 3.90 lakh RMT of various types of pipes⁷ at the site up to January 2007 and the agency was paid (January 2007), 60/65 *per cent* of value of pipes amounting to Rs.7.04 crore. The agency requested (March 2007) the Superintending Engineer (SE) for release of further 15 *per cent* payment for pipes brought to site due to blockage of agency's funds on procurement of pipes. SE submitted (March 2007) the proposal to the Chief Engineer (CE), GWSSB for approval. The proposal was, however, not approved by the CE (July 2008). Audit scrutiny revealed that without waiting for the approval of the CE and without any contractual obligation, SE released (March 2007) further payment of Rs.1.67 crore (additional 15 *per cent* of value of pipes beyond contractual obligation), though the work of lowering, laying and jointing of pipes was not executed by the agency. Thus, release of Rs.1.67 crore without contractual obligation resulted in undue financial aid to the contractor.

On being pointed out in audit (July 2008), the SE replied that there was a gap of 22 months between invitation of tender and finalization of contract and during this period there was huge increase in the basic price of raw material of steel and PVC pipes. Though the contractor had accepted the bid, he was facing financial crisis and in order to complete the project in time, the rate of payment of pipes brought to site was revised in the larger interest of the work. Further, it was stated that the project was nearing completion and payment made at higher rate stood adjusted. The reply of

⁴ Covering population of 1,88,000 in 67 villages and 135 hamlets

⁵ 60 *per cent* of tendered rate in respect of MS pipes and 65 *per cent* of tendered rate in respect of other pipes

⁶ 75 *per cent* of tendered rate for MS pipes and 80 *per cent* of tendered rate for other pipes

⁷ MS, PVC, HDPE and AC pipes

SE was not acceptable as he was under no contractual obligation to make further payment without completion of the prescribed stage of work. The work also could not be completed within the stipulated period and the same was in progress as of April 2009.

When reported, Government replied (May 2009) that for the total pipes of all sizes supplied (4,08,564.22 Rmt) up to September 2007, payment was made as per revised payment schedule and pipes to the extent of 3,34,528.7 Rmt have already been laid. The excess payment of Rs.56.44 lakh has been recovered from the Running Account bills. It further stated that the payment made to the agency for the material brought at site in excess of the rate specified in the schedule of payment was in the larger interest of the progress of the project. The reply is not acceptable as the recovery of Rs.56.44 lakh being excess payment in respect of pipes not laid itself indicated that payment was made without any contractual obligation. Further, no larger interest of the progress of the project was served as work was still in progress (April 2009).

2.3 Avoidable/excess/unfruitful expenditure

AGRICULTURE AND CO-OPERATION DEPARTMENT

2.3.1 Avoidable payment of interest

Delay in deciding reimbursement of loss in excess of Rs.25 crore to GUJCOT resulted in avoidable payment of interest of Rs.1.99 crore.

With a view to protect the financial interest of the cotton growing farmers by ensuring a reasonable price for their produce, Government decided (March 1999) to implement a scheme for purchase of cotton from farmers at remunerative price through Gujarat State Co-operative Cotton Federation Ltd. (GUJCOT), Ahmedabad. The Scheme *inter alia* provided that GUJCOT would sell the cotton in such a way so as not to suffer loss. However, if GUJCOT suffered loss on sale of cotton, the State Government agreed to reimburse/bear a maximum loss to the extent of Rs.25 crore.

Audit scrutiny of the records of the Director of Agriculture, Gandhinagar (July 2008) revealed that GUJCOT suffered a loss of Rs.29.69 crore in trading of 2,58,041 cotton bales⁸. Against this, Government paid Rs.24.96 crore between August 1999 and March 2000 along with service charge of Rs.1.48 crore. GUJCOT submitted from time to time⁹ proposals to Government for release of funds to meet the loss in excess of Rs.25 crore. Government, however, decided in February 2007 to release the balance amount of loss of Rs.4.73 crore and interest of Rs.1.99 crore¹⁰ due for the period from April 2000 to March 2006.

⁸ Between March 1999 and June 1999

⁹ 27 July 2000, 30 July 2001 and 22 March 2003

¹⁰ Calculated at seven *per cent* simple interest on Rs.4.73 crore for six years

Thus, delay on the part of Government to release the amount of loss resulted in avoidable expenditure of Rs.1.99 crore on account of interest.

On this being pointed out, the Director of Agriculture replied (July 2008 and January 2009) that the decision of payment of compensation in excess of Rs.25 crore was taken by State Government though not agreed to by the Directorate and as such the reasons for delay were not available with them. Government stated (February 2009) that it had rejected the claim upto February 2006 but GUJCOT continued to press Government for reimbursement of the loss along with interest. Further, it was stated that the limit of Rs.25 crore was considered for two lakh bales. However, the procurement process of cotton remained operative till May 1999. By the time Government instructed (June 1999) GUJCOT to stop the procurement; GUJCOT had procured additional 58046 bales beyond approved two lakh bales. As the procurement operation by GUJCOT was in the interest of farmers and it had borrowed finance to meet working capital, Government decided as a special case to reimburse the loss with interest. The reply is not acceptable as Government was aware of the reasons as early as July 2000. Thus, the failure of Government to decide the payment of compensation in excess of Rs.25 crore in time resulted in payment of interest of Rs.1.99 crore for six years which could have been avoided.

When reported, Government while accepting the audit point, stated (April 2009) that it took time to take a view on the issue and take a final policy decision. No justification has, however, been given for the delay of six years in revising the limit of Rs.25 crore. Delay in the decision resulted in avoidable payment of interest of Rs.1.99 crore.

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

2.3.2 Unfruitful expenditure on a water resource project

Due to delay in acquisition of land, expenditure of Rs.13.48 crore incurred on Phophal II Water Resources Project to provide irrigation to 1704 hectares of land remained unfruitful.

With a view to provide irrigation to 1704 hectares of land in seven villages of Jamnagar and Rajkot Districts, Government accorded (22 November 1996) administrative approval to Phophal II Water Resources Project (Project) with a lined canal system consisting of Right Bank Main Canal (RBMC) of 5.94 kms having three minors. The project costing Rs.14.61 crore was expected to be completed by March 2003.

Scrutiny of records (April 2008) of the Executive Engineer, Irrigation Division, Rajkot revealed that the work on main head work (dam) commenced in June 1997 by Rajkot Irrigation Project Division and was completed at a cost of Rs.4.22 crore in June 2000. The work for construction of 5.94 km

long RBMC and one of its minors was taken up in January 2000, but the alignment of RBMC from chainage 2289 to 5158 was changed and one minor was dropped in June 2001 on account of the demand from the farmers with the result that the contractor was relieved from the work (May 2002). By this time, about 70 per cent of the canal system was completed. Though the main canal was not fully operational due to non-construction of the canal section from chainage 2289 to 5158 metres, the project was treated as completed and handed over to the Executive Engineer, Irrigation Division, Rajkot in June 2005. Upto March 2005, expenditure of Rs.13.14 crore had been incurred on the project constituting 90 per cent of the original project cost. Against 1704 hectares of land to be covered under irrigation, 570 hectares (33 per cent) only could be covered by then.

Audit scrutiny further revealed that, though the new alignment from chainage 2289 to 5158 was approved in June 2001, the Irrigation Project Division, Rajkot did not make any progress in acquiring land for the purpose before handing over the project to Irrigation Division for operation in June 2005. The land required as per the new alignment was acquired only in 2008. Reasons for the delay, though called for, were not intimated (May 2009).

Further, when the dam was filled up in the monsoon of 2005, leakages were noticed near the wing wall on the right side of the dam and also on the left side downstream training wall, due to poor quality of work done. No irrigation was possible as the reservoir was empty thereafter. Rectification work was carried out at a cost of Rs.0.34 crore (December 2008).

Thus, the project originally expected to be completed by March 2003 and to provide irrigation to 1704 hectares of land could not yield any fruitful result even after an expenditure of Rs.13.48 crore due to delay in acquisition of land.

On being pointed out, Government replied (May 2009) that work of canal system was under progress and was planned to be completed in 2009-10 for creating the full irrigation potential of 1704 hectares. The reply, however, was silent about the delay of seven years in acquiring the land.

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT AND REVENUE DEPARTMENT

2.3.3 Unfruitful expenditure on a housing project

Delay in providing water supply facilities to the dwelling units resulted in unfruitful expenditure of Rs.7.37 crore.

Under the Chief Minister's 15 point programme, Government decided (November 1998) to construct dwelling units for the urban economically weaker sections of the society. As per the revised guidelines issued by Government (October 1999), the houses were to be constructed by the Municipal Corporations, Gujarat Housing Board (GHB), Gujarat Slum

Clearance Board and Urban Development Authorities by obtaining loan from HUDCO for which GHB was designated as the nodal agency. Government also decided to grant a subsidy of Rs.4000 per unit during 1998-99 and Rs.5000 per unit thereafter to the executing agencies. Fifty per cent of the amount was payable on approval of the project and the remaining 50 per cent on receipt of completion report certificate from GHB. Accordingly, GHB approved (April 2000) in the first phase, construction of 1819 dwelling units estimated to cost Rs.7.51 crore, out of 3073 units costing Rs.15.36 crore planned to be constructed at Nari village on the outskirts of Bhavnagar Municipal limits. However, based on the demand, 1812 units were constructed at a cost of Rs.6.80 crore in July 2001. GHB collected Rs.94.44 lakh from the beneficiaries as first installment and also received subsidy of Rs.90.60 lakh from Government.

Scrutiny of records of Collector, Bhavnagar (September 2008) and Estate Manager, GHB, Bhavnagar (December 2008) revealed that the authorities were aware that the site had no source for drinking water and Collector, Municipal Commissioner and Gujarat Water Supply and Sewerage Board (GWSSB) were to jointly identify a suitable source for providing drinking water to the colony. Further, as seen from the minutes of the meeting (16 June 1999) convened by the Hon'ble Minister, Water Supply and Urban Housing to discuss the implementation of the scheme, it was decided that the Collector, Bhavnagar would oversee and ensure providing water supply to the colony when the construction work was completed by GHB.

On completion, GHB fixed (May 2002) the hire purchase price as Rs.52,000 per unit to be paid in thirteen years at the rate of Rs.575 per month. As per GHB, the units were ready for allotment in July 2003 and though it was decided to allot the units at Rs.24,990 per unit on one time payment basis, the beneficiaries declined to take over possession as the colony was not provided with drinking water facility.

It was further noticed that the Mahi Pipeline Project for supplying drinking water to Bhavnagar, expected to be ready by December 2000 was identified as the source to provide water supply to the colony. The pipeline was ready by October 2004, but due to opposition from the villagers, water supply to the colony could not be arranged. Finally, it was decided (February 2005) to lay a pipeline from Maleshree river by GWSSB for which GHB paid Rs.35 lakh to GWSSB in September 2007. However, water supply to the colony was made available only by September 2008 for which GWSSB incurred an expenditure of Rs.56.71 lakh. Since the beneficiaries were demanding reduction in the cost, the units remained un-allotted. GHB resolved (17 October 2008) to reduce the price of the houses to Rs.22,490 per unit for 911 units and Rs.17,000 per unit for 901 units respectively. Government's approval to this proposal was awaited (July 2009).

Thus, non synchronization of the work of providing drinking water facilities to the dwelling units with various authorities rendered expenditure of Rs.7.37 crore unfruitful with the result that the very purpose of providing low cost dwelling units to the urban poor could not be achieved even after a lapse of eight years.

On being pointed out, the Collector, Bhavnagar replied (September 2008) that due to high price of dwelling units and non-availability of water facilities, the houses remained un-allotted.

When pointed out, Government while confirming and accepting the factual position added (August 2009) that sufficient efforts were made by Government, Collector Bhavnagar, GHB and GWSSB to provide water supply to the scheme, but circumstances beyond their control like public agitation delayed providing water supply to the dwelling units.

2.4 Idle investment/idle establishment/blockage of funds

EDUCATION DEPARTMENT

2.4.1 Blocking of Government fund

Due to adoption of unrealistic estimates by Gujarat Council of Educational Research and Training and delay in construction, funds aggregating Rs. 5.78 crore remained blocked.

The National Policy on Education (1986) envisaged creation of sound institutional infrastructure for in-service and pre-service training of elementary and secondary school teachers. As a part of this policy, Gujarat Council of Educational Research and Training (GCERT) acting as a nodal agency for the State, decided (August 2004) to construct hostel buildings within the campus of the District Institute of Educational Training (DIETs). The work of construction of hostel buildings was entrusted (November 2004) to Gujarat Council of Primary Education (GCPE).

Scrutiny of records of the department (December 2008) revealed that Rs.1.50 crore was provided by Government of India for construction of Administrative buildings/establishment bloc/staff quarters and hostel buildings. GCERT made another proposal (December 2004) to the State Government (GOG) for additional demand of Rs. two crore for four hostel buildings based on the plans/estimates prepared (April 1999) by the State Roads & Buildings Department on the lines of newly constructed hostel building at DIET, Bhuj at a unit cost of Rs 54.55 lakh for 160 inmates. State Government while accepting the demand as new service under Plan heads for the year 2004-05 accorded administrative approval (March 2005) for strengthening and upgrading of five¹¹ hostel buildings. Approval was accorded (November 2006) to construct /upgrade four¹² hostel buildings under second phase and funds aggregating to Rs 5.78 crore¹³ (for nine hostel buildings) were placed at the disposal of GCPE (implementing agency) between 20 May 2005 and 13 February 2008. Scrutiny in audit revealed that though funds were

¹¹ Bharuch, Bhavnagar, Dangs, Gandhinagar and Kachchh-Bhuj

¹² Ahmedabad City, Anand, Dahod and Mehsana

¹³ Rs. 0.15 crore (May 2005), Rs. 1.00 crore (January 2006), Rs. 1.85 crore (January 2006), Rs. 0.55 crore (April 2006), Rs. 1.00 crore (February 2007), Rs. 0.23 crore (February 2007) and Rs. 1.00 crore (February 2008)

available, work had not commenced (December 2008) and funds were lying with GCPE.

When pointed out, Project Engineer, GCPE stated (December 2008) that the reason for delay in preparation of building plans was due to non response from the Director, GCERT and the Principal of the concerned DIETs to furnish the requirements which were to be incorporated in the building plans. It was further stated that revised plans/estimates at a unit cost of Rs.1.73 crore were submitted to GCERT in November 2007. Audit also observed that the revised plans /estimates were submitted to GOG in May 2008 and sanction for same is still awaited (July 2009).

Thus adoption of unrealistic estimates and delay in submission of proposal by GCERT resulted in blockage of Rs 5.78 crore. Besides, the objective of providing sound institutional infrastructure for training as envisaged in the National policy on Education was not achieved.

The matter was reported to Government in March 2009, reply has not been received (July 2009).

2.4.2 Blocking of funds

Failure of Sardar Patel Institute of Economic and Social Research, Ahmedabad to utilize ICSSR grant resulted in blocking of funds amounting to Rs.1.25 crore.

Sardar Patel Institute of Economic and Social Research (SPIESR), Ahmedabad is an autonomous organization registered (1965) under the Societies Registration Act, 1860. The main objectives of the institute are to conduct research on economic and social problems; to give due attention to the problems of regional and national economy; foster training of research scholars and to engage in dissemination of knowledge in social sciences in collaboration with other regional educational institutes. Government of India (GOI) recognized (1975) SPIESR as a 'National Institute' and the Indian Council of Social Science Research (ICSSR) shared the maintenance grant equally with GOG.

GOG fixed (November 1999) with effect from 1999-2000 maximum ceiling of one crore rupees as annual grant payable to SPIESR, of which Rs.47.50 lakh was paid by GOG and ICSSR each and in addition datum grant of Rs.5 lakh was borne by GOG.

Scrutiny of records (June 2007 and January 2009) of SPIESR revealed that, apart from the above, ICSSR paid (2000-08) Rs.1.25 crore¹⁴ as Plan grant (recurring) to meet expenses to develop faculty strength for research facilities as the resources of SPIESR were limited. The sanction orders contained the following stipulations:

¹⁴ 2000-01-Rs.17 lakh, 2001-02 Rs.16 lakh; 2002-03 to 2006-07 Rs.15 lakh each and Rs.17 lakh in 2007-08

- ✍ Grants were sanctioned for meeting approved developmental programmes and research activities.
- ✍ The amounts of grant sanctioned were to be utilized before end of March of each financial year and unspent balance refunded to ICSSR immediately after the closure of the financial year.
- ✍ If grantee failed to utilize the grant for the purpose for which it was sanctioned, grantee was required to refund the unspent amount of grant with interest thereon at the rate of 6 *per cent per annum* from 2004-05 onwards (raised to 10 *per cent* from 2006-07).

SPIESR failed to adhere to the stipulations of release as were made by ICSSR as the unspent balances were never returned after closure of the financial year. As such they were liable to pay Rs.33.56 lakh as interest for the period 1 April 2005 to 31 March 2009 as was specified in the terms of release from 2004-05 onwards.

SPIESR did not incur any expenditure out of the grants received but instead, from time to time parked the ICSSR grants in term deposits violating the stipulations in the sanction orders. Thus, funds aggregating Rs.1.25 crore remained blocked, thus defeating the objective of the grant for developing faculty strength for research facilities.

On being pointed out, SPIESR stated (June 2007) that they could not spend the grant paid by ICSSR for want of matching grant from GOG. It further stated (November 2008) that the unspent grants would be utilized during the current financial year. The reply is not acceptable as these funds were not required to be matched by GOG. Further, as per the stipulations of ICSSR they were required to refund the unspent amount with interest in case of non-utilisation. SPIESR not only failed to utilize the funds but also did not adhere to the stipulations of release.

The matter was reported to Government in February 2009; reply has not been received (July 2009).

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

2.4.3 Inordinate delay in completion of a water resources project

Hanol Water Resources Project planned to be completed by 2001 remains incomplete even after eight years, due to which the expected benefits could not be derived despite incurring expenditure of Rs. 9.43 crore.

In order to provide irrigation facilities to 1405 Ha. of land to nine villages¹⁵ of Palitana taluka in Bhavnagar District through flow irrigation, Government accorded (September 1995) administrative approval of Rs.11.90 crore to

¹⁵ Ankolali, Hanol, Khakhariya, Khijadiya, Kumbhan, Loichada, Mokhadka, Navagam and Senjaliya

Hanol Water Resources Project across river Rajaval¹⁶. The project envisages constructing head works¹⁷ and Left Bank Main Canal (LBMC). The project was expected to be completed by 2001.

Scrutiny of records (May 2008) of the Executive Engineer (EE), Irrigation Project Division, Bhavnagar and further information collected (March 2009) revealed that though the construction of head works started in September 1996 and was completed in June 1998 at a cost of Rs.6.67 crore, the canal work was not taken up (March 2009).

Audit further noticed that Government decided (August 1996) to adopt drip and sprinkler irrigation system¹⁸ in Saurashtra region in place of flow irrigation system for economical use of water. Government accorded (February 1999) technical sanction for Rs.1.69 crore for construction of LBMC and distribution minors for providing lift irrigation system¹⁹ and thereby increasing irrigable area to 2038 Ha. The affected land owners were opposing (January 2000) the plan to construct the canal which would further dwindle and split their meagre land holding. However, Government went ahead with the tendering and awarded the work. As there was delay in land acquisition, the work for constructing of 12.72 km long canal was delayed and awarded (June 2001) to a contractor at a tender cost of Rs.1.13 crore.

The contractor, however, could not commence the work due to agitation by farmers. Government decided (May 2004) to maintain *status quo* in construction of canal due to various representations made by local MLA during the year 2003 for stopping the work of canal and considering the alternative of drip irrigation system. The MLA also gave assurance to get refund of the land compensation already paid to farmers. Government finally decided (December 2006) to drop the proposal of canal system for the project and decided to develop drip irrigation system in the command with help of two farmers' cooperative societies formed for the purpose, with the condition that no financial burden will be borne by the Government. An expenditure of Rs.9.43 crore²⁰ was incurred on the different components of the project between 1995-96 and 2008-09. The proposals (June 2008) of the two cooperative societies²¹ for developing drip irrigation system were approved (November 2008) by Government with the condition that the work should be completed within two years.

When pointed out, Government replied (May 2009) that due to farmers' agitation and strong representation from the Local MLA, the work of construction of the main canal could not be taken up, though the work order

¹⁶ Located near village Hanol of Palitana taluka

¹⁷ Earthen Dam, Spillway and Head regulator

¹⁸ An irrigation method which minimizes use of water and fertilizer by allowing water drip slowly to the roots of plants, either on to the soil surface or directly on to the roots zone, through a net work of valves, pipes, tubing and emitters

¹⁹ Providing flow of water through a canal in which a kundi to be provided after every ½ Km and from which farmer had lift water by pumping

²⁰ Head works Rs. 6.67 crore, buildings Rs. 0.15 crore, canal Rs. 0.04 crore, land Rs.1.19 crore, other expenditure Rs. 1.38 crore

²¹ Kumbhan Lift-cum-Drip Irrigation Co-operative Society, Kumbhan and Hanol Lift-Drip Irrigation Co-operative Society, Hanol

was issued in June 2001. Government had considered to adopt drip irrigation system but because of significant expenditure of about Rs.37.90 crore, it did not adopt the same. Government also stated that drip irrigation system at the cost of the societies would now be implemented very soon which on completion, was expected to cover additional command area than anticipated earlier. Government would now limit its financial involvement to allocate soft loans and subsidies to farmers.

Thus, frequent change in decisions on the part of Government resulted in an inordinate delay of eight years in completion of irrigation scheme due to which the expected benefit of the project could not be passed on to the beneficiaries despite an expenditure of Rs.9.43 crore.

2.4.4 Idling of expenditure on a water supply scheme and non-achievement of objective

Non-completion of distribution system of a water supply scheme resulted in non-augmentation of water supply even after incurring expenditure of Rs.6.30 crore.

The Chief Engineer (Zone-I), Gujarat Water Supply & Sewerage Board (GWSSB) accorded (November 2003) administrative approval and overall technical sanction for Augmentation of Southern Zone Bara Tract (SZBT) Group-I Regional Water Supply Scheme (RWSS) based on Ukai Branch Canal (Boridra Branch) for Rs. 7.27 crore²². The scheme consisted of remodelling of existing pond at village Boridra, intake well on the bank of pond, pumping machinery, RCC UG sumps at various sites, filter plant of 5 mld capacity and, RCC ESR of 4.50 lakh liters capacity at Adol head works etc. The RWSS was designed to cater to drinking water needs of a population of 46603²³ of 21 villages of Ankleshwar taluka and 13 villages of Hansot Taluka in Bharuch district. The Executive Engineer (EE), Public Health Works Division, GWSSB, Bharuch was in charge of executing the water supply scheme.

Audit scrutiny (January 2009) of the records of the EE, Bharuch revealed that different components of the water supply scheme awarded in February 2004 were completed between July 2004 and March 2007 at a total expenditure of Rs.6.30 crore²⁴. However, the execution of network distribution system and internal distribution which is an important component for any water supply scheme was not taken up (January 2009). In a review meeting (June 2005) held by the Chief Engineer (Zone-1), Vadodara, it had been decided to complete the water supply scheme by August 2005. But lack of the distribution network resulted in non-augmentation of water supply to the targeted villages even after incurring an expenditure of Rs.6.30 crore. This defeated the very purpose for which RWSS was conceived.

²² Including 17.85 per cent on establishment, tools and plants charges

²³ calculated on the basis of 1991 census and 82474 persons projected by end of 2030

²⁴ Filter Plant Rs. 42.78 lakh, RCC UG Sump Rs.37.79 lakh, Remodeling of pond Rs.56.20 lakh, RCC etc. Pipe line laying Rs.31.43 lakh, Carting of pipes Rs.10.46 lakh, Bridge structure Rs.22.02 lakh, Raising main Rs.6.60 lakh, laying of PV Pipeline Rs.0.87 lakh, Route and survey work Rs.1.35 lakh, pipe issued to contractors Rs.352.28 lakh and electrical work Rs.68.53 lakh

On it being pointed out, the EE, Bharuch stated (January 2009) that the scheme could not be completed due to non-completion of the distribution network, though tenders had been invited ten times (between August 2006 and January 2009). Tenders were approved two times. However, no contractor came forward to take up the work. The tendering would be carried out again and if required the work would be executed departmentally. The EE further stated (March 2009) that the area of Ankleshwar and Hansot are criss-crossed by Ukai Right Bank Canal Network, the canal is unlined causing water logging in the area, and also at many places the pipelines of GAIL and ONGC are laid in the area.

When reported (March 2009), Government stated (May 2009) that the works upto the existing head work at village Adol were completed between July 2004 and March 2007 and were being utilized for supplying drinking water to eight needy villages having population of about 22000 people utilizing the existing pipelines of the original scheme and that the distribution network was planned to be completed by March 2010 to supply water to all the villages. The reply is not acceptable as the work of distribution pipelines to two villages awarded in February 2009 to be completed in August 2009 was in progress and the tenders in two parts in respect of 18 villages were yet to be approved (July 2009).

2.5 Regulatory issues and other points

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

2.5.1 Non-recovery of Labour Welfare Cess

Non-adherence to the provisions of Labour Welfare Cess Act, 1996 resulted in non-recovery of Labour Welfare Cess amounting to Rs.1.22 crore.

Building and other construction workers are one of the largest and most vulnerable segments of unorganized labour. Government of India (GOI) enacted (August 1996) the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 for constitution of Welfare Board in each State so as to undertake social security schemes²⁵ for such workers. GOI also enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act). To augment the resources of the Board, Section 3 of the Cess Act provides for levy and collection of labour welfare cess at the rate of not less than one *per cent* of the cost of construction incurred by an employer.

Accordingly, Government of Gujarat framed (August 2003) the Building and Other Construction Workers (Regulation of Employment and Conditions

²⁵ Provide financial assistance to the beneficiary for the purpose of loans and advances for construction of houses, education of children, medical expenses for treatment of major ailments of the beneficiary or his dependant or for such other welfare measures and facilities as may be determined by the Board

of Service) Rules, 2003 and constituted (December 2004) a Gujarat Building and Other Construction Workers Welfare Board (Board). The Board resolved to collect cess with effect from 18 December, 2004. Government made it mandatory (January 2005) for all its Departments, Public Sector Undertakings (PSUs) and local authorities to collect and pay the cess as per Cess Act. Government appointed all Heads of Departments of Government and PSUs as cess collectors to effect recovery of cess.

Audit scrutiny (between May 2007 and July 2008) of the records of the Superintending Engineers (SEs), Public Health (PH) Circle, Gujarat Water Supply & Sewerage Board (GWSSB), Nadiad and information collected (February 2009) from SE, PH Circle, GWSSB, Godhra revealed that recovery of labour welfare cess amounting to Rs.1.22 crore calculated at one per cent of total amount of Rs.121.72 crore paid to the contractors in respect of 111 works entrusted to various contractors between 2005-06 and 2008-09 was not effected as detailed below:

(Rs. in crore)

Sr. No.	Name of office/Division	Year of contract/work	No. of works	Amounts paid to contractors	One per cent labour welfare cess	Amount Recovered
1	Godhra	2006-07	02	63.36	0.64	Nil
		2007-08	19	5.00	0.05	Nil
		2008-09	03	19.70	0.20	Nil
2	Nadiad	2006-07	53	25.33	0.25	Nil
		2007-08	15	7.92	0.08	Nil
		2008-09	19	0.41	0.00	Nil
Total				121.72	1.22	

On being pointed out, Executive Engineer (EE), PH Division, GWSSB, Nadiad while admitting that no recovery of labour cess had been effected, stated (January 2009) that no clear instructions/directives from the higher authorities were received for recovery of labour welfare cess and the matter had been referred to Headquarters office.

SE, PH Circle, GWSSB, Godhra replied (February 2009) that labour welfare cess was paid by the contractor and information of the labour welfare cess paid by the contractor to Government would be called for and intimated to audit.

When reported, Government, in Narmada, Water Resources, Water Supply & Kalpsar Department replied (June 2009) that for the works from which the labour welfare cess had not been effected, there was no provision for labour cess made in the tender agreements as well as estimates. However, instructions have been given to make the provision of one *per cent* labour welfare cess in the estimates and pay to the Labour Welfare Board. The reply is not acceptable as the recovery of labour welfare cess is mandatory with effect from December 2004; failure to effect recovery resulted in non availability of funds for Construction Workers Welfare Board.