CHAPTER – III (*Economic Sector*)

AUDIT OF TRANSACTIONS

3.1	**Thematic Audit on *tur* procurement and disposal under Market Intervention Scheme of Government of Maharashtra for *Kharif* season 2016**
3.2	**Inadmissible Payment**
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CHAPTER III

CO-OPERATION, MARKETING AND TEXTILE DEPARTMENT

3.1 *Tur* Procurement and disposal under Market Intervention Scheme of Government of Maharashtra for *Kharif* season 2016

3.1.1 Introduction

The production of *tur* in the State of Maharashtra increased from 4.44 lakh metric ton (MT) in 2015-16 to 20.89 lakh MT in 2016-17. Due to increase in production, there was a decline in the market price of *tur* which ranged between ₹ 4,000 and ₹ 4,500 per quintal and was less than the Minimum Support Price (MSP) of ₹ 5,050 per quintal declared by the Government of India (GOI) for the year 2016-17. Though procurement of *tur* at MSP was being done annually in the state by GoI, the same was limited to 25 *per cent* of total *tur* production in the state. In view of the decline in market price of *tur* and large quantity of *tur* registered by farmers for sale with Agricultural Produce Market Committee (APMC)[1], the Co-operation, Marketing and Textiles Department (department), Government of Maharashtra (Government) introduced Market Intervention Scheme (scheme) on 27 April 2017 for procurement of *tur* at MSP.

The department appointed (April 2017 and May 2017) the Maharashtra State Cooperative Marketing Federation Ltd[2] (MARKFED), Mumbai, Vidarbha Cooperative Marketing Federation Ltd[3] (VCMF), Nagpur and the Maharashtra State Tribal Development Corporation[4] (MSTDC), Nashik as nodal agencies for procurement of *tur* in the state at MSP. MARKFED was responsible for payment to VCMF and MSTDC to enable these two agencies to procure *tur* apart from disposal of *tur* procured by all the agencies. The entire cost for the procurement incurred by MARKFED was to be reimbursed by the Government, including the agency charges.

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[1] APMCs were established for regulating the marketing of different kinds of agriculture produce

[2] MARKFED is an apex society for agriculture marketing and processing cooperatives created with the objective of creating an institutional agency for the marketing of agricultural produce and supply of requisite agricultural input to the farmers

[3] The VCMF is playing a role in serving the farmers as well as customers in the regions of Vidarbha and Marathwada by providing hygienic and safe quality consumer products

[4] The MSTDC has been established for socio-economic development of tribals in the state and to act as an agency to prevent economic exploitation of tribals

3.1.2 Organisational Structure

The Director of Marketing[5], Pune, under the administrative control of the department was responsible for checking the quality of *tur* procured under the scheme. The District Marketing Officers of the nodal agencies were responsible for procurement of *tur* under the scheme through "Tahsil Cooperative Purchase and Sale Society" acting as sub-agents.

3.1.3 Audit scope and methodology

We conducted the audit during May 2019 to August 2019 with a view to assess the effectiveness of the system to procure *tur* at MSP and manage its disposal. For this purpose, records in the department were test-checked along with the records of MARKFED which had done 90 *per cent* procurement in the state. Out of six divisions in the state, three divisions having maximum procurement *viz.,* Amravati, Aurangabad and Nagpur and five districts *viz.,* Amravati, Buldhana, Beed, Latur and Wardha in these three divisions having the highest percentage of procurement were selected for detailed scrutiny. In the selected districts, records of five procurement centres having maximum procurement in each district (25 procurement centres) were test-checked. Out of 39,256 farmers from whom procurement was done in these 25 procurement centres, records of 2,389[6] farmers were also test-checked. Besides survey of 250[7] farmers in these five districts jointly with the officials of the department was conducted. The findings were issued (January 2020) to the Government; the reply was awaited (June 2020).

Audit findings

3.1.4 Planning

3.1.4.1 Delay in introduction of scheme despite anticipated increase in production

The Commissionerate of Agriculture, Pune prepares estimate of agriculture produce in the state four times in a year. In the first estimation of *tur* production for the *Kharif* season 2016 done in August 2016, the *tur* production was estimated at 12.55 lakh MT which was 183 *per cent* more than the total production of the previous year. In second estimation done in January 2017, the *tur* production was estimated at 11.71 lakh MT which was 164 *per cent* more than the total production of the previous year. In the third estimation done in March 2017, the production of *tur* was estimated at 20.34 lakh MT which was 358 *per cent* more than the production of the previous year. Thus, the first estimation itself gave a clear indication of the increase in the production of *tur* in comparison with the previous year.

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5 The Directorate of Marketing controls the marketing activities of agriculture products produced by farmers of Maharashtra State. It enables department/Government to regulate the prices of produce in market of agriculture products so that products are made available to consumers at reasonable price

6 five *per cent* of total farmers or minimum 50 farmers in the selected centres whichever was highest

7 survey covered 125 farmers selected on random basis who sold *tur* at MSP and 125 farmers who did not sell *tur* at MSP

Further, GoI commenced the procurement of *tur* under Price Stabilisation Fund[8] (PSF) Scheme from 15 December 2016 and procured 4.02 lakh MT *tur* by 22 April 2017 which was almost equal to the total production of 4.44 lakh MT during the previous year.

We observed that though the department had the information of bumper crop of *tur* during *Kharif* season 2016 and was also aware of the limited quantity of *tur* (25 *per cent* of total production of *tur* in the state) being procured by GoI, the department introduced Market Intervention Scheme belatedly only on 27 April 2017. As a result, there was delay in procurement and only 37 *per cent* of *tur* was procured as discussed in **paragraph 3.1.4.2**.

3.1.4.2. Delay in procurement from the farmers

The date-wise quantity of *tur* procured in the state by GoI and GoM is shown in **Table 3.1.1:**

Table 3.1.1: *Tur* procurement by GoI and GoM

Procurement by GoI (Scheme name) /GoM	Number of procurement centres	Period of procurement	Quantity procured (in lakh MT)
GoI (PSF)	323	15.12.2016 to 22.04.2017	4.02
GoM	116	27.04.2017 to 08.05.2017	0.70
GoI (PSS)*	169	09.05.2017 to 26.05.2017	1.00
GoM	150	27.05.2017 to 05.06.2017	0.62
GoI (PSS)*	150	06.06.2017 to 08.06.2017	0.15
GoM	150	09.06.2017 to 12.06.2017	0.24
GoM	75	23.07.2017 to 12.09.2017	0.96
Total			**7.69**

Source: Information furnished by the department
* Procurement by GoI under Price Support Scheme was done at the request of GoM

After registration with the APMC, the farmers had to bring *tur* in the APMC yard. On verification of proof of land holding and AADHAR linked bank accounts details, token was issued to farmers. The *tur* is then procured from farmers to whom tokens were issued after verification of quality and quantity of *tur*. The scheme initially mandated procurement of *tur* from farmers who were issued tokens by the APMC up to 22 April 2017, for an estimated quantity of one lakh MT. Belatedly on 21 July 2017, the department issued orders for procurement of *tur* from farmers to whom tokens were issued up to 31 May 2017. Accordingly, procurement which had stopped after 12 June 2017 commenced from 23 July 2017. No procurement was done for a period of 40 days from 13 June 2017 to 22 July 2017. The procurement which commenced from 23 July 2017 continued up to 12 September 2017 and 0.96 lakh MT (38 *per cent*) of *tur* was procured. Thus, the *tur* of farmers, who were issued token up to 31 May 2017 was procured by the Government during 23 July 2017 till the next *Kharif* season *i.e.*, up to 12 September 2017 after a time lapse ranging between 53 days[9] and 104 days[10]. Analysis of records of 2,005[11] farmers out of records of 2,389 farmers (of the 39,256 farmers from

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[8] Government of India launched Price Stablilisation Fund Scheme in March 2015 with a corpus of ₹ 500 crore for procurement and distribution of agri-horticultural commodities, to mitigate hardships to consumers

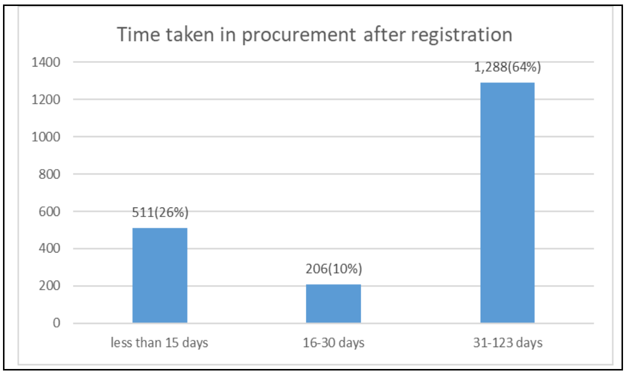
[9] 31 May 2017 to 23 July 2017

[10] 31 May 2017 to 12 September 2017

[11] Date of registration in respect of 384 farmers was not available

whom procurement was done in 25 test-checked procurement centres) test-checked in audit revealed delay in procurement of *tur* from the farmers as depicted in **Chart 3.1.1.**

Chart 3.1.1: Delay in procurement from farmers



As seen from **Chart 3.1.1**, procurement in respect of 1,494 farmers (74 *per cent*) was done after a period ranging from 16 days to 123 days. The possibility of similar delay in procurement from farmers in other cases cannot be ruled out. Procurement of *tur* in respect of balance 511 farmers (26 *per cent*) was done within 15 days. Thus, the delay in introduction of scheme and delay in taking decision to continue procurement from farmers who were issued token after 22 April 2017, delayed procurement with consequent delays in payment to the farmers.

3.1.4.3 Non-opening of procurement centres

We noticed that out of 25 districts in which procurement was done, Satara district had the lowest production of *tur* of 878 MT. We observed that in five districts *viz*., Bhandara (22,988 MT), Gondia (12,754 MT), Gadchiroli (9,037 MT), Palghar (2,109 MT) and Raigad (1,440 MT), the production was more than the production in Satara district. However, neither the nodal agencies opened procurement centres nor did department ensure that procurement centres were opened in these districts; thereby depriving the farmers an opportunity to sell *tur* under the scheme.

We further noticed that out of 20.89 lakh MT *tur* produced in the state, only 7.69 lakh MT (37 *per cent*) *tur* was procured by GoI (5.17 lakh MT) and GoM (2.52 lakh MT). However, department did not conduct periodical review to assess reasons for poor procurement.

3.1.5 Implementation of scheme

The implementation of scheme revealed the shortcomings such as procurement of *tur* from farmers in excess of average yield of tahsil, payment to farmers by cheque instead of direct credit into their accounts, delay in payment of MSP to farmers and delay in disposal of *tur* as discussed in the succeeding paragraphs.

3.1.5.1 Procurement of *tur* in excess of average yield of tahsil

The Agriculture department works out the average yield of *tur* per hectare in each tahsil based on actual sowing area under *tur* cultivation. The *tur* under the scheme was to be procured from the farmers considering the area under *tur* cultivation and the average yield of the tahsil fixed by the Agriculture department.

Analysis of records of 2,389 farmers out of 39,256 farmers from whom procurement was done in 25 test-checked procurement centres revealed that in 947 cases (40 *per cent*), procurement was more than the average yield of the tahsil per hectare fixed and the land under *tur* cultivation by the farmers. Out of these 947 cases, in 452 cases (48 *per cent*) the excess procurement was above five quintals. In view of procurement of *tur* in excess of average yield, the possibility of sale of *tur* by the traders to Government could not be ruled out.

3.1.5.2 Payment to farmers by cheque instead of direct credit into bank account

The scheme guidelines stipulated payment to farmers directly into their AADHAR linked bank account through NEFT/RTGS. Analysis of records of 2,389 farmers out of 39,256 farmers from whom procurement was done in 25 test-checked procurement centres revealed that payments to 2,336 farmers (98 *per cent*) were made through cheques while the remaining 53 farmers were paid through NEFT/RTGS. In view Audit analysis, the possibility of payment through cheques insetaed of direct credit into bank accounts of farmers cannot be ruled out. The department did not ensure that the procurement agencies adhered to the scheme instructions regarding direct payment to farmer's bank account.

3.1.5.3 Delay in payment of MSP to farmers

The department directed MARKFED to follow the procedures adopted by the National Agriculture Co-operative Marketing Federation[12] (NAFED) in procurement of agriculture produce under Price Support Scheme[13] (PSS) of GoI. As per PSS guidelines, the payment to the farmers was required to be made within three days from the receipt of their produce. Analysis of data of 2,336 farmers to whom cheques were issued revealed that payment to 1,222 farmers (52 *per cent*) was done after a delay ranging from four days to 120 days (after excluding a period of seven days for collection of cheque by farmers from sub-agents). In respect of 53 farmers to whom payment was made through NEFT/RTGS, the delay ranged from 28 days to 90 days. Similar delay in payment of MSP to farmers in other cases cannotbe ruled out. The department also did not obtain reports to assess the reasons for delay in payments to farmers.

Analysis of the cause for delay in payment revealed that procedure followed before making payment to the farmers was time-consuming. As per the procedure followed, funds were released by MARKFED to the sub-agents for payment to the farmers only after the quantity of *tur* was acknowledged by the warehouse. This was to ensure that payment to the sub-agents was made only for the quantity received at warehouse since transportation loss was to be borne by the sub-agents**.** The sub-agents, on receipt of funds, issued cheques to the farmers. Thus, due to the time taken at each stage, the delay in payment to farmers in the test-checked cases ranged from four days to 120 days.

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[12] NAFED is an apex organisation of marketing co-operatives for agricultural produce in India, under Ministry of Agriculture, Government of India

[13] Price Support Scheme is intended to provide remunerative prices to the growers for their produce with a view to encourage higher investment and production and to safeguard the interest of consumers by making available supplies at reasonable prices with low cost of intermediation

The delay in payment could be reduced to a large extent by having an online system to capture the essential data of farmers including bank account details and farmer-wise procurement done each day thereby facilitating release of funds directly by the district office to farmers' bank account. This system was adopted by NAFED for procurement of agriculture produce on behalf of GoI. For any shortage in transportation of *tur*, appropriate security could be obtained from the sub-agents.

3.1.5.4 Delay in crediting MSP into farmers' accounts

We analysed the data regarding date of issue of cheque as mentioned in the register and actual credit of MSP into the farmers account from the bank statements available with the sub-agents. The analysis of the data of 2,336 cases revealed that the time taken from the date of issue of cheque to the date of credit into farmer's account ranged from 15 days to 201 days in 1,385 cases (66 *per cent*[14]). Out of the 1,385 cases, in 62 cases the time taken for credit was more than 90 days. We also observed that in none of the test-checked procurement centres, dated acknowledgment of farmers in token of receipt of cheques were obtained. The significant time taken to credit into the bank account indicated that the cheque issue date shown in the register was back dated. The above cases are illustrative and such irregularities in crediting MSP into farmers account in other cases cannot be ruled out.

The delay in introduction of the scheme and the delay in taking decision to continue procurement with the consequent delay in payment to the farmers could be a significant factor responsible for the procurement being only 37 *per cent* out of the total production in the state. During joint survey of 125 farmers who did not sell *tur* under MSP, 42 farmers (34 *per cent*) attributed the delay in payment of MSP as the reason for not selling *tur* under MSP.

3.1.5.5 Delay in disposal of *tur*

The disposal of *tur* procured under the scheme was the responsibility of MARKFED which was to be done after approval of their proposal by the department.

MARKFED submitted (30 April 2017) a proposal to the department with two alternatives along with the estimated loss under both the alternatives *i.e.*, e-auction of *tur* procured or sale of *tur* dal after milling. However, no decision was taken by the department. MARKFED again submitted (17 June 2017) a proposal for disposal of *tur* to the department with the same two alternatives as proposed in the earlier proposal of April 2017. The proposal was accepted belatedly by the department on 08 August 2017 and Government Resolution for milling of *tur* and e-auction of *tur* was issued on 25 October 2017 and 19 June 2018 respectively.

Accordingly, MARKFED issued work orders between October 2017 and April 2019 to various millers and 1.31 lakh MT of *tur*, after milling, was sold to various Government departments and through Public Distribution System

[14] Out of 2,336 cases, in 225 cases, the date of credit in bank accounts' of farmers was not available. Hence, the percentage has been worked out on 2,111 cases (2,336-225)

during December 2017 to October 2019. MARKFED also disposed off 1.21 lakh MT of *tur* through e-auction during June 2018 to December 2018.

We observed that the *tur* procured (during April to September 2017) and lying with MARKFED accumulated from 0.70 lakh MT (May 2017) to 2.52 lakh MT (September 2017). The delay in decision to dispose of *tur* by the department resulted in the commencement of the disposal of *tur* only from December 2017 onwards.

We noticed that due to delay in taking a decision to dispose of *tur* procured, the warehouses were full. Therefore, the *tur* procured subsequently could not be transported immediately by the sub-agents to warehouse for storage. This, in turn, delayed release of funds by MARKFED to the sub-agents and the consequent delay in payment to the farmers as discussed in **paragraphs 3.1.5.3 and 3.1.5.4**. A prompt decision to dispose the *tur* procured would have minimised the expenditure on warehouse charges and interest on loans.

3.1.6 Financial Management

As on 31 October 2019, an amount of ₹ 1,521.59 crore was incurred under the scheme. Of this, ₹ 1,275.04 crore (83.80 *per cent*) was towards payment of MSP to farmers, ₹ 108.91 crore (7.16 *per cent*) was towards interest on loans including penal interest levied by banks, ₹ 53.77 crore (3.53 *per cent*) was towards godown rent for storage of *tur* and ₹ 83.87 crore (5.51 *per cent*) was towards incidental expenses.

3.1.6.1 Delay in finalisation of funding pattern for procurement of *tur*

As per the scheme guidelines, funds required for implementation of the scheme was to be made available to the nodal agencies by the Finance department or the Government was to give guarantee for availing loan from banks by the nodal agencies. The department submitted proposal to the Finance department for giving bank guarantee for the loan to be raised by MARKFED without ascertaining from the Finance department the feasibility of funding through Government's own fund. The department also did not reckon the time required for issuing work order for milling (issued in October 2017) and selling of the *tur* which was crucial for timely/early repayment of loan to keep the interest burden low, before submitting the proposal for raising loan. The Finance department accepted (April 2017-for the initial loan of ₹ 570 crore) the proposal of giving bank guarantee submitted by the department. Because of the delay in disposal of *tur*, it was only in June 2018, the department withdrew ₹ 1,528 crore from contingency fund for repayment of loan on the ground that the receipt on disposal of *tur* would take long time and increase interest burden. The entire loan of banks amounting to ₹ 1,451.72 crore was cleared in June 2018. Had the department taken a decision to fund the scheme out of Government's own fund, considering the fact that no decision was taken regarding disposal of *tur* till August 2017, the interest liability of ₹ 108.91 crore on loan could have been avoided.

3.1.6.2 Avoidable payment of penal interest due to delay in renewal of guarantee

The State Government had given guarantee for loan amounting to ₹ 1,493 crore sanctioned during May 2017 to September 2017 by two nationalised banks (Union Bank of India: ₹ 923 crore; Indian Bank: ₹ 570 crore) to MARKFED. The guarantee was valid for a period of six months. The loans were to be repaid by MARKFED from amount realised on disposal of *tur*. However, since the loan was not repaid within six months, the guarantee had to be renewed. We noticed delay in renewal of guarantee by the department in respect of loan sanctioned by Indian Bank resulting in payment of penal interest of ₹ 2.47 crore as shown in **Table 3.1.2.**

Table 3.1.2: Delay in renewal of bank guarantee

Loan amount sanctioned (₹ in crore)	Date of release of loan amount	Due date for repayment (six months) and renewal of guarantee	Date of renewal	Delay in renewal of guarantee in days	Penal interest (₹ in crore)
1	**2**	**3**	**4**	**5 (4-3)**	**6**
435	20.05.2017	20.11.2017	12.02.2018	83	2.06
135	04.07.2017	04.01.2018	12.02.2018	39	0.41
				Total	**2.47**

Source: Information obtained from MARKFED

In respect of loan availed from Union Bank of India, no penal interest was levied by the bank for delay in renewal of guarantee. The levy of penal interest for the delay in renewal of guarantee indicated lack of proper monitoring of the loan repayment by MARKFED so as to ensure timely renewal of bank guarantee. As per the scheme, the nodal agencies were required to submit monthly progress report of loan repayment to the department. We noticed that the monthly progress reports were not submitted, which would have facilitated the department to take timely action for renewal of guarantee.

3.1.6.3 Avoidable interest payment due to default in loan repayment

As per the loan agreement with the banks, in the event of default in payment of interest/instalments on the respective due dates, the bank was entitled to charge overdue interest of two *per cent* over and above the monthly interest rates on the defaulted amount. Test check of records at MARKFED revealed that ₹ 1.25 crore was levied by the banks for delay in payment of monthly instalments of interest on loans.

Thus, the delay in renewal of bank guarantee and delay in payment of monthly instalments of interest on loans resulted in avoidable payment of ₹ 3.72 crore[15] of interest and penal interest.

3.1.7 Monitoring

3.1.7.1 Poor monitoring of the scheme by the department

The responsibility for procurement of *tur* and its disposal was entrusted by the department to the nodal agencies. Since, the scheme was implemented through nodal agencies, proper monitoring of the scheme by the department was vital

[15] Penal interest: ₹ 2.47 crore *plus* delay in payment of installment of interest on loan amount: ₹ 1.25 crore = ₹ 3.72 crore

to ensure effective and efficient implementation of the scheme. We, however, observed the following weaknesses in the monitoring of the scheme:

- The department did not conduct periodical review to assess the reasons for poor procurement under the scheme for suitable corrective action in coordination with the nodal agencies.
- The department did not ascertain the reasons for non-procurement in all the districts though monthly procurement details were received from the nodal agencies.
- The department did not ascertain the reasons for payment to the farmers through cheques instead of direct bank transfer as envisaged under the scheme.
- The department also did not obtain management information reports to ensure that the payments to the farmers were made without delay.
- The nodal agencies were required to submit monthly progress report of loan repayment to the department. Though the monthly progress reports were not submitted, the department did not take any action.
- The department did not ensure renewal of bank guarantee on time.

3.1.8 Conclusion

The production of *tur* in the state was 20.89 lakh MT during the *Kharif* season 2016 as against 4.44 lakh MT during the previous year. Due to bumper crop, the market price declined which was less than the Minimum Support Price (MSP) declared by Government of India. The introduction of the Market Intervention Scheme in the state by the department was delayed despite the availability of information and estimation of bumper crop. Even after the introduction of the scheme, there was delay in taking decision to procure leading to delay in procurement, despite registration done by the farmers for sale of *tur*. To add to the distress of the farmers, the payment of MSP to the farmers was delayed. Payments to the farmers were done through cheques instead of payment through NEFT/RTGS. The department did not ensure that implementing agencies adhere to the scheme instructions regarding direct payment to farmer's bank account. There was delay in disposal of *tur* which increased the warehouse charges and interest on loans. The delay in disposal was also one of the factors for delay in payment to farmers. The monitoring of the scheme by the department was weak.

3.1.9 Recommendations

The Government may**:**

- cut down delays in procurement of agricultural products under Market Intervention Scheme so that the farmers can derive maximum benefit from the scheme;
- consider establishing an online system to facilitate prompt payment to farmers' bank account directly by the district nodal agencies as being done by NAFED on behalf of GoI; and
- strengthen monitoring of the implementation of the scheme by devising management information reports on key parameters of the scheme.

PUBLIC WORKS DEPARTMENT

3.2 Inadmissible Payment

Inadmissible payment of ₹ 97.65 lakh due to non-compliance of condition for additional cost of 16.50 *per cent*

Public Works Department (PWD), Government of Maharashtra accorded (November/December 2016) administrative approval (AA) to Hybrid Annuity Project[16] under public private partnership (PPP) basis on design, build, operate and transfer in Wardha district for ₹ 158.76 crore and has assigned the powers for execution of agreement to Public Works (PW) Division, Arvi, district Wardha (division).

Scrutiny of records (March 2019) of division revealed that a Concession Agreement (CA) for construction of two lanning[17] with paved shoulders in Wardha district having total length of approximately 75.30 km (HAM: HYBRID ANNUITY NAG 149) was executed (September 2018) between concessionaire and the division for ₹ 154.52 crore and PW Region, Nagpur approved the appointment date[18] (06 November 2018) to commence the work.

Meanwhile, a bridge[19] at Km 0/460 which was not in the scope of HAM: HYBRID ANNUITY NAG 149 was damaged on 05 November 2018 due to impact of a heavily loaded trailer. Inspection at Government level of the damaged bridge was carried out on 11 November 2008 and it was directed that urgent reconstruction of the bridge with approaches be assigned to the concessionaire as an extra work in accordance with Article 16 of the concession agreement[20]. The Government while approving the variation in principle directed that the bridge should be opened for traffic by 26 January 2019.

Accordingly, the PW Region, Nagpur approved (03 December 2018) the variation proposal of HAM: HYBRID ANNUITY NAG 149 for construction of major bridge with approaches costing ₹ 7.48 crore. An addition of 16.50 *per cent* was considered in the rate analysis of items of work over and above the current schedule of rates (2018-19). This addition in the rates was an incentive to the concessionaire to deploy men and machinery in three shifts 24x7 for completion within 45 days along with the following conditions:

- The work was to be commenced immediately and completed on or before 26 January 2019.
- In case, agency failed to open the bridge for traffic on or before 26 January 2019, the incentive amount (16.50 *per cent* considered in rate analysis) would not be payable.

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16 Project consists of the works (i) Kharangana-Masod-Kondhali-Sawargaon-Chincholi road km 0/00 to 30/200 (₹ 71.40 crore) and (ii) Rohana-Wadhona-Karan-Jalalkheda-Mowad to State border road km 0/00 to 40/00 (₹ 87.36 crore)

17 (i) Kharangana-Masod-Kondhali-Sawargaon-Chincholi road km 0/00 to 35/800 and (ii) Rohana-Wadhona-Karan-Jalalkheda-Mowad to state border road km 0/00 to 39/500

18 day on which site has been handed over to the concessionaire

19 at chainage Kharangana-Masod-Kondhali-Sawargaon-Chincholi road km 0/00 to 35/800

20 HAM: HYBRID ANNUITY NAG 149

The concessionaire had accepted (December 2018) these conditions.

Audit observed (March 2019) that the contractor had executed the work of bridge proper before the set deadline but the bridge could not be opened for traffic due to non-completion of approaches as shown in the photographs below:

Un-opened bridge for traffic due to non-execution of approaches

The concessionaire completed the work of approaches in April 2019 and was paid (July 2019) ₹ 6.90 crore for the major bridge which included the inadmissible payment of ₹ 97.65[21] lakh on account of incentive.

In reply, the Government stated (March 2020) that the bridge was completed before 26 January 2019 as stipulated and the additional incentive of 16.50 *per cent* was paid to agency for bridge portion only. The work of approaches including retaining wall was completed in the regular scope of HAM work. The department further stated that the work of approaches was delayed due to late receipt of tree cutting permission from Forest department.

The reply is not acceptable, as the variation proposal which provided for the payment of incentive was approved on the condition that the bridge should be opened for traffic by 26 January 2019 and included following scope of work:

(i) Dismantling of existing damaged bridge;

(ii) Construction of major bridge having nine spans of 10 meters;

(iii) Construction of approach road of 300 meter length on each side; and

(iv) Widening and improvement of existing road.

Further, the requirement of cutting trees was not unexpected either for the department or the concessionaire. Thus, the payment of incentive in spite of non-compliance to express condition of the variation proposal regarding opening the bridge for traffic on or before 26 January 2019 by the concessionaire resulted in inadmissible payment of ₹ 97.65 lakh on account of incentive.

[21] Cost of work executed: ₹ 6,89,50,145 *16.5/ 116.5

3.3 Extra Payment

Absence of inter-department compliance system resulting in extra payment ₹ 75.40 lakh

Ministry of Environment, Forests and Climate change, Government of India (GoI) issued (January 2016) a notification to encourage utilization of fly ash released from Thermal Power Stations (TPS) in construction works so as to safeguard the environment from dumping of fly ash. On the lines of GoI notification, the Public Works (PW) Department issued (July 2016) a Government Resolution (GR) making it compulsory to utilize fly ash generated by the TPS in construction works of buildings, roads *etc*. executed within a radius of 300 km from such TPS. Transportation charges of fly ash to works site situated within the radius of 100 km shall be borne by the concerned TPS.

Accordingly, PW Circle, Akola sanctioned estimates without inclusion of transportation charges of fly ash[22] and PW Division, Khamgaon awarded (June 2017) the work[23] of widening and strengthening of Khamgaon-Shegaon-Balapur-Patur road to a contractor at 18 *per cent* below the estimated cost of ₹ 46.85 crore put to tender with the stipulated period of completion of 18 months (December 2018). However, TPS Paras (July 2017) did not agree to bear the transportation cost of fly ash on the plea that the decision of competent authority (MAHAGENCO[24]) to bear transportation charges of fly ash within the range of 100 KM from power station was not finalized.

Thus, the PW Region, Amravati revised (November 2017) the estimate and included transportation charges of fly ash amounting to ₹ 88.15 lakh from TPS/ pond to the work site. This was in contravention to the notification issued by GoI and department as cited above.

Scrutiny revealed that the contractor was paid ₹ 33.27 crore for the work executed up to November 2018 which included ₹ 75.40 lakh (***Appendix 3.1***) towards transportation charges of fly ash from TPS/pond to the work site which was at a distance ranging from 42 km to 54 km. This resulted in inadmissible payment of ₹ 75.40 lakh to the contractor towards transportation charges of fly ash from TPS Paras.

In reply, the Government stated that the MAHGENCO was ready to provide fly ash free of cost but expressed inability to bear transportation cost hence, revised estimate for addition of transportation charges was sanctioned in order to complete project in time.

This shows the absence of inter-departmental compliance system. The payment of transportation charges by user department was in contravention to GoI notification.

[22] Fly ash from Thermal Power Station, Paras which is within the vicinity of 42 to 54 KMs was to be used in the said work

[23] Widening and strengthening of Khamgaon-Shegaon-Balapur-Patur road SH24, SH 269 & SH 279 for two lanes including paved shoulders (As per IRC Standard) in districts Buldana and Akola

[24] Maharashtra State Power Generation Company Limited, a GoM owned Company

3.4 Arbitrary withdrawal of works and award at higher rate

Arbitrary withdrawal of part works from one contractor and awarded to another contractor at higher rate without inviting tender, resulted in avoidable expenditure of ₹ 2.86 crore, besides vitiating transparency in the award of work

The Public Works Department (department) sanctioned (October 2017) construction of concrete pavement on Sion-Panvel highway main carriageway (5+5 lanes). The construction was to be done at the balance stretches from Kalamboli junction km 115/800 to Bhabha Atomic Research Centre junction km 140/690, at the risk and cost of entrepreneur who did not complete the Build, Operate and Transfer (BOT) project. The PW (Special Project) Region, Mumbai (regional office) accorded (April 2018) technical sanction of ₹ 69.03 crore for the work. The work was awarded (August 2018) to contractor A at a cost of ₹ 67.57 crore to be completed within 18 calendar months including monsoon *i.e.*, on or before February 2020.

During site inspection (December 2018) of the work conducted at Government level, it was directed to withdraw a portion of work from contractor A on the ground of slow progress and handover of same for-execution to contractor B who was executing work at another stretch on Sion-Panvel highway. It was also directed that the work should be completed by contractor B before 31 March 2019. Accordingly, five works comprising of CBD flyover approach (both flyovers), Uran flyover, Kamothe flyover, Taloja flyover and Kalamboli transport under-pass were withdrawn from contractor A on 30 January 2019. However, even before withdrawal of the said five works, Multi Storeyed Building Construction Division, Mumbai (division) had instructed (December 2018) contractor B to start execution of works amounting to ₹ 17.80 crore (including extra work of ₹ 0.46 crore), pending approval from department. Regional office also intimated (March 2019) department that contractor B was ready to execute the works at Current Schedule of Rates of 2018-19 instead of tendered rate. Contractor B completed works amounting to ₹ 13.32 crore till date (January 2020).

We scrutinised the records (June 2019) and observed the following:

- Except for a slight delay in reaching the first milestone under the contract, contractor A had covered the delay in the second and third milestone under the contract. Therefore, no penalty was levied by department for delay in execution of work. Contractor A in response to the notice issued (November 2018) by the division for slow progress of work stated that traffic permission was received only on 02 October 2018. It was further stated that permission of division for use of crushed sand instead of natural sand was also received only on 17 October 2018, thereby delaying the commencement of work. However, this justification was not considered by department before withdrawing the work and was thus, arbitrary.

- The award of work valuing ₹ 17.80 crore directly to contractor B without inviting tender also vitiated transparency in the award of work. If required, department could have resorted to short notice tender and expedited the process of placing the work order considering the urgency of work.

Thus, arbitrary withdrawal of work from contractor A and its award to contractor B at a higher cost, resulted in avoidable expenditure of ₹ 2.86 crore (cost of work transferred to contractor B: ₹ 17.34 crore *minus* cost of work withdrawn from contractor A including escalation charges computed by Audit: ₹ 14.48 crore).

In reply, division stated (December 2019) that due to slow and unsatisfactory progress of works of contractor A and to attend to the chronic spots before monsoon, the work was awarded to contractor B. It was further stated that invitation of tender would have resulted in commencement of work after three to four months.

The reply is not convincing as the justification given by contractor A for the slow progress of work was not considered and anyway there was inordinate delay in completion of works by contractor B.

The matter was referred to the Government (February 2020); reply thereto was awaited (June 2020).

WATER RESOURCES DAPARTMENT

3.5 Wasteful Expenditure

Execution of height raising work of dam of Anjani Medium Project without acquiring the required land for submergence and non-assessment of economic viability of the entire project resulted in wasteful expenditure of ₹ 32.38 crore

Paragraph 251 of Maharashtra Public Works Manual (MPWM) provides that no work should be commenced on land which has not been duly made over by the responsible civil officer. When tenders for works are accepted but the land required for the purpose is still to be acquired, the time that should be allowed for the acquisition of the land should be ascertained from the Collectors concerned before orders to commence the works are issued. Further, Government circular regarding benefit cost (BC) ratio[25] clearly envisages that to declare any medium irrigation project to be economically feasible, it should be equal to or more than 1.5.

Government of Maharashtra, Irrigation Department (Government) accorded (March 1977) Administrative Approval (AA) to Anjani Medium Project in Erandol tahsil of Jalgaon district for ₹ 2.85 crore which was subsequently revised by the Tapi Irrigation Development Corporation (TIDC) from time to time and latest in September 2005 (2nd Revised AA) for ₹ 85.21 crore. The project envisaged construction of an earthen dam across Anjani river with gross storage capacity of 19.39 mcum to create irrigation potential (IP) of 3,000 hectare (ha). The BC ratio of the project to know the economic feasibility of the project was worked out to 1.5.

Subsequently, with a view to increase the capacity of gross storage from existing 19.39 mcum to 36.78 mcum and create additional IP of 4,902 ha,

[25] A benefit-cost ratio is an indicator used in cost-benefit analysis to show the relationship between the relative costs and benefits of a proposed project

TIDC accorded (January 1999) a separate AA to work of height raising of said earthen dam for ₹ 31.05 crore. After increasing the height, total IP was envisaged at 7,902 ha to benefit the additional area of Dharangaon *tahsil* apart from the existing area of Erandol tahsil in Jalgaon district. However, the aggregate BC ratio of the entire project was not worked after inclusion of height raising work.

Scrutiny of records revealed (July 2018) that the height raising work of earthen dam was executed simultaneously along with the original work and the entire dam work completed in June 2008 after incurring an expenditure of ₹ 163.10 crore which includes expenditure of ₹ 32.38 crore on height raising work.

As per instruction of the Water Resources Department (November 2015), the B.C. Ratio was worked out which was 1.10 i.e. much less than required B.C. Ratio of 1.50 for a medium irrigation project.

It was further observed that acquisition of 302 ha land of three[26] additional villages coming under submergence due to raising the height of the dam and 46 ha suitable land for rehabilitation and resettlement of these villagers were not done and water storage capacity remained at 19.39 mcum (January 2018).

Governing Council of TIDC approved (January 2018) the cancellation of work of land acquisition and rehabilitation required for raising the height of dam on the plea of cost of land acquisition (₹ 267.55 crore) and non-feasibility of the project as aggregate BC ratio of the project was less than the norms prescribed by the Government. Government cancelled (July 2018) the work of land acquisition along with rehabilitation and resettlement of these villagers required for storage of additional water. Jalgaon Medium Project Division No. 1 Jalgoan (division) submitted (October 2018) proposal to TIDC to write-off an expenditure of ₹ 32.38 crore incurred on additional work of height raising of earthen dam.

Thus, commencement of work without acquiring requisite land in violation of the provisions of MPWM resulted in unfruitful expenditure of ₹ 32.38 crore.

In reply, the division stated (July 2018) that the height-raising AA was separately accorded, thus, there was no need to calculate BC ratio for the entire project. The TIDC submitted (August 2019) that the expenditure was fruitful, as it was incurred on height raising to create 3685 ha I.P. and would be helpful to absorb the high flood (on occurrence) and maintain carry over storage.

Replies are not acceptable, as Government cancelled the work of land acquisition and rehabilitation of villages required for storage of additional water on the plea that aggregate BC ratio of the project was less than the norms prescribed. Further, the height raising work was to create additional I.P. of 4,902 ha in addition to original target of 3000 ha which was not achieved.

The matter was referred to the Government (April 2019); reply thereto was awaited (June 2020).

[26] Sonabardi, Hanumantkhede B. and Hanumantkhede Majre

3.6 Wasteful Expenditure

Wasteful expenditure ₹ 4.38 crore due to commencement of the work without acquisition of land

Paragraph 251 of MPWM stipulates that no work should be commenced on land which has not been duly made over by the responsible civil officer. When tenders for works are accepted but the land required for the purpose is still to be acquired, the time that should be allowed for the acquisition of the land should be ascertained from the Collectors concerned before orders to commence the works are issued.

The Waghur Dam Division, Jalgaon (division) awarded (October 2008 and December 2008) two branch canal works[27] to contractors at 5.75 *per cent* and 5.62 *per cent* above the estimated cost of ₹ 7.27 crore and ₹ 10.07 crore respectively with stipulated period of completion of works within 12 months from the date of issue of work orders.

Scrutiny of records revealed (April/May 2018) that out of total 196.13 ha of required land for the work of canal and distributaries, division could acquire only 94.72 ha and remaining land could not be acquired due to stiff opposition from farmers/land owners. The contractors executed works in intermittent chainages where land was available and since 2010 the works were stopped for want of required land. An expenditure of ₹ 8.12 crore (₹ 3.29 crore in respect of B1/2008/14 till July 2018 and ₹ 4.83 crore in respect of B1/2018/16 till April 2011) was incurred.

The Governing Council of Tapi Irrigation Development Corporation (TIDC) resolved (May 2016) to complete the work in abandoned portion of length of Asoda branch canal and its distributaries by Pressurized Pipe Distribution Network (PPDN) instead of traditional canal to overcome land acquisition problem and to submit the proposal to write-off expenditure incurred on these works.

Accordingly, the TIDC submitted (January & March 2017) the proposal to write-off an expenditure of ₹ 4.38 crore incurred on earthwork in abandoned portion of Asoda branch canal and its distributaries to the Government for approval. Approval from Government was still awaited (April 2019).

Scrutiny further revealed that Government approved (June 2017) the PPDN to Asoda branch canal and its distributaries. Tender process thereof has been completed and work was in progress.

In April 2018, the division cancelled both the agreements under clause 15(1)[28] of contracts as there was no possibility of acquisition of remaining land.

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[27] (i) work of constructing earth work and structures in km 7 to 11 and minor 5 and 6 of Asola branch canal of Waghur left bank canal (B1/2008/14) and (ii) work of constructing earth work and structures in km 1 to 20.34, minor No. 1R to 11R, minor No. 1L to 3L of Asoda Dy. off taking chainage 10,870 m of Asoda branch canal (B1/2008/16)

[28] The Engineer shall for any reason what-so-ever (other than default on the part of the contractor for which the corporation is entitled to rescind the contract) desires that the whole or any part of the work specified in the tender should be suspended for any period or that the whole or part of the work should not be carried out at all, shall suspend or stop the work wholly or in part as required

Thus, issue of work orders without ensuring the possession of the required land resulted in wasteful expenditure of ₹ 4.38 crore on abandoned works of canal and distributaries.

In reply, the division stated (April 2018) that due to strong opposition from farmers, acquisition of land could not be done despite many efforts.

Reply of the division was not tenable, as the division issued work orders prior to acquisition of required land in violation of the provision of MPWM which ultimately resulted in wasteful expenditure of ₹ 4.38 crore.

The matter was referred to the Government (August 2019); Reply thereto was awaited (June 2020).

3.7 Unfruitful Expenditure

Injudicious planning resulted in unfruitful expenditure of ₹ 117.58 crore due to stoppage of work of LIS for more than three years

With a view to overcome water scarcity of Majalgaon dam, increase irrigation potential and supply adequate water to Parli Thermal Power Station, Government decided (February 2008) to construct a Majalgaon Lift Irrigation Scheme (LIS) to lift water from Loni Sawangi Barrage to be constructed on Godavari river. This LIS was included in a proposal[29] (July 2009) for fourth Revised Administrative Approval (RAA) of Jayakwadi Project Stage-II and a provision of ₹ 350.00 crore was included for the LIS.

Accordingly, the Command Area Development Authority, Aurangabad accorded (June 2010) technical sanction to LIS for ₹ 150.25 crore and the Majalgaon Project Division No.10, Parbhani (division) awarded (November 2010) the work of "Construction of Majalgaon Lift Irrigation Scheme from Loni Sawangi Barrage" to a contractor for ₹ 163.68 crore with stipulated period for completion of work within 36 months i.e. November 2013.

It was observed that water availability certificate was not obtained at the time of taking up the project from Water Planning and Hydrology, Nashik for the proposed LIS, on the pretext that this LIS was a part of the Jayakwadi Stage-II and run-off[30] water was to be utilized for this purpose.

Scrutiny at Jayakwadi Project Circle, Aurangabad (January 2019) and the division (April 2017) revealed that though the work order was issued in November 2010, the work could not start till June 2013 for want of funds. Further, the proposal for acquisition of land required for canal No. 1 and 2 (29.02 ha) was submitted to Collectorate, Beed in August 2015, but due to stiff opposition from the farmers, the division could not acquire required land. Jayakwadi Project Circle stated that instead of canal, underground R.C.C. box conduit was under consideration.

[29] As per the proposal, 150 mm^3 excess water in rainy season was to be pumped to Majalgaon dam from the LIS, of which 90 mm^3 was to be utilized for irrigation and drinking water needs and 60 mm^3 was to be reserved for Parli Industrial Electricity Generation and Distribution Centre

[30] Flood water

For arrangement of funds, a Memorandum of Understanding (MoU) was executed (March 2013) between Godavari Marathwada Irrigation Development Corporation, Aurangabad (GMIDC) and Maharashtra State Power Generation Company (MAHAGENCO). As per the terms of the MoU, MAHAGENCO was to invest ₹ 199.86 crore in the LIS for utilizing 60 MM^3 of water for Parli Industrial Electricity Centre. Thereafter, the work of LIS was commenced (June 2013) and the contractor was paid (October 2015) ₹ 117.58 crore for the work executed up to 14^{th} running account bill.

In a meeting (September 2015), held at the ministerial level of the Water Supply and Sanitation (WSS) department expressed displeasure on non-completion of project due to poor planning as well as award of technical sanction and work order before acquisition of required land. Similarly, Energy department expressed doubt over completion of project and supply of water to MAHAGENCO and decided to stop further funding from MAHAGENCO for the project. WSS department directed that the LIS project be put on hold and a report on usefulness of the project in the present scenario be obtained from Maharashtra Engineering Research Institute/Water Planning and Hydrology, Nashik. A committee was constituted for revaluation of the project. Accordingly, the division directed (January 2016) the contractor to stop work immediately.

Scrutiny further revealed that MAHAGENCO informed (August 2017) that an amount of ₹ 142 crore given to GMIDC as an investment for the above project was rendered unfruitful due to stalled project and asked GMIDC to refund the money along with interest.

Thus, an expenditure of ₹ 117.58 crore incurred on incomplete LIS project which was stalled since February 2016 was rendered unfruitful. In April 2017, the division stated that the work of LIS was temporarily held up from February 2016 and would be restarted immediately after verification of water availability by Central Water Commission, New Delhi.

In reply, the GMIDC stated (January 2020) that the work was stopped as per the orders of the Minister and further stated that the Government had given permission to restart the work.

The reply was not tenable as the division started the execution of work without obtaining water availability certificate as well as without prior financial planning and acquisition of required land. This resulted in stoppage of LIS and unfruitful expenditure of ₹ 117.58 crore for more than three years.

The matter was referred to the Government (August 2019); reply thereto was awaited (June 2020).

3.8 Unfruitful Expenditure

Deficient planning resulting in unfruitful expenditure of ₹ 55.22 crore on un-economical Unkeshwar High Level Barrage

Godavari Marathwada Irrigation Development Corporation, Aurangabad (GMIDC) accorded (November 2005) administrative approval for ₹ 2.06 crore to Unkeshwar Kolhapur Type (KT) Weir on Painganga basin to create irrigation potential (IP) of 281 ha with projected benefit cost (BC) ratio[31] of 1.52. Aurangabad Regional Office of Water Resources Department accorded (March 2006) technical sanction to KT Weir of ₹ 1.76 crore. Minor Irrigation Division, Nanded (division) awarded (March 2008) the work of "construction of Unkeshwar K.T. Weir" to a contractor at tendered cost of ₹ 2.00 crore *i.e.* 18.51 *per cent* above the estimated cost (₹ 1.69 crore) with stipulated period of 30 months for completion *i.e.* September 2010.

In view of Government policy[32] (September 2008), it was unanimously decided (July 2009) by the Water Resources Department (WRD), GMIDC, Vidarbha Irrigation Development Corporation (VIDC) and respective regional offices to convert said KT Weir into Unkeshwar High Level Barrage (HLB) and include it in the revised administrative approval (RAA) of Lower Painganga Project[33] (LPP) in a meeting held at the ministrial level.

Subsequently, GMIDC accorded in-principle approval (August 2009) to the conversion of KT Weir into Unkeshwar HLB subject to the condition of inclusion in LPP. The technical estimates of ₹ 64.19 crore were sanctioned (October 2009) by Aurangabad regional office and an expenditure of ₹ 55.22 crore was incurred on the work till March 2018.

Meanwhile, VIDC accorded (August 2009) first RAA to LPP for ₹ 10,429.39 crore and included two new works[34] but did not include Unkeshwar HLB. VIDC submitted (April 2015) following reasons to WRD for non-inclusion of Unkeshwar HLB in RAA and requested not to consider HLB in the subsequent RAA of LPP:

i. The dam height of LPP was proposed at 230.33 meter whereas proposed height of Unkeshwar HLB was at 234.00 meter. Thus, excess height by 3.67 meter of Unkeshwar HLB would cause disturbance and LPP would come under the submergence of Unkeshwar HLB due to higher Full Reservoir Level[35] (FRL).

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31 A benefit-cost ratio is an indicator used in cost-benefit analysis to show the relationship between the relative costs and benefits of a proposed project

32 Government have taken policy decision to convert existing KT Weir to High Level Barrage in every district

33 The LPP is a major interstate project (Maharashtra and Telangana) in Yavatmal district which comes under the jurisdiction of VIDC and administratively approved (June 1997) for ₹ 1,402.43 crore by GoM (WRD)

34 Barrage on downstream of Painganga river and Sahastrakund Hydro-electric Project

35 It is the **level** corresponding to the storage which includes both inactive and active storages and also the flood storage, if provided for. In fact, this is the highest **reservoir level** that can be maintained without spillway discharge or without passing water downstream through sluice ways

ii. The first RAA of LPP was approved (August 2009) before receipt of proposal of HLB for inclusion in LPP.

Scrutiny further revealed (November 2018) that Aurangabad regional office directed (May 2015) not to incur any expenditure on Unkeshwar HLB till obtaining RAA as part of the LPP or as an independent project. Irrigation Circle, Nanded stated (August 2019) that construction activities of Unkeshwar HLB were stopped since September 2014.

The WRD directed (September 2016) GMIDC to change design of Unkeshwar HLB in view of higher FRL than LPP and obtain separate RAA for Unkeshwar HLB.

Accordingly, Irrigation Circle, Nanded submitted (February 2018) first RAA proposal for ₹ 177.70 crore to Aurangabad regional office who onward submitted (May 2018) it to GMIDC with projected IP creation of 1,460 ha (CA[36] 1642) and BC ratio of 0.75 against established norm of 1.0 in case of minor irrigation projects.

Thus, the deficient planning that led to conversion of economical KT Weir into un-economical HLB, without ascertaining the effect of FRL on LPP resulted not only in unfruitful expenditure of ₹ 55.22 crore on incomplete work but also non-creation of originally targeted IP in spite of lapse of more than eight years.

In reply, the Irrigation Circle, Nanded stated (November 2018) that in the light of Government policy to convert existing KT weir into HLB, Unkeshwar KT Weir was proposed to be converted into HLB and the same was approved by GMIDC in principle. Further, it was stated that RAA proposal was under scrutiny of State Level Technical Advisory Committee.

Reply is not acceptable as the conversion of KT Weir into HLB without considering the important parameter of FRL resulted in uneconomical project due to lower BC ratio. Further, in RAA also, the FRL of HLB is still retained at 234 meters. The work was stopped in incomplete stage since September 2014. This showed deficient planning resulting in unfruitful expenditure of ₹ 55.22 crore and also non-creation of originally targeted IP in spite of lapse of more than eight years.

The matter was referred to the Government (September 2019); reply thereto was awaited (June 2020).

3.9 Avoidable Extra Payment

Avoidable extra payment of ₹ 102.12 lakh due to non-compliance to the guidelines regarding design/revised design procedure of canal

In supersession of the existing guidelines, the Irrigation Department, Government of Maharashtra had issued (February 1995) revised guidelines for design of canals and revised design procedures. For canals in soft murum/soil, the inner side slopes of canal was recommended at the ratio of 1.5:1 to have proper discharge of water throughout the canal.

[36] Cultivable Area

Scrutiny of records of the Dhule Medium Project Division (division) revealed (June 2017) that the work[37] of left bank canal of Lower Panzara (Akkalpada) Medium Project was awarded (August 2011) to a contractor for ₹ 36.67 crore *i.e.* 10.80 *per cent* above the estimated cost of ₹ 33.09 crore based on the schedule of rates for the year 2009-10. The work was stipulated to be completed within 24 months from the issue of work order (July 2013).

It was observed that in the estimates, the inner side slopes of canal at the ratio of 0.5:1 were considered instead of envisaged 1.5:1. To overcome this, the TIDC approved (January 2012) the change in inner side slope to 1.5:1. Accordingly, excavations in soft strata, hard strata and in hard rock by controlled blasting were increased substantially which were executed during 2012 to June 2015. The Irrigation Project Circle, Dhule sanctioned (July 2015) revised rates for quantities exceeding 125 *per cent* of tender quantities under clause 38[38] of the contract. The division made the payment (May 2016) of ₹ 62.81 crore to the contractor vide 16th and final bill including payment under clause-38.

Non-compliance of guidelines (February 1995) while preparing the estimates resulted in enormous increase in quantities of excavation of in soft strata, hard strata and in hard rock by controlled blasting and avoidable extra payment of ₹ 102.12 lakh under clause-38 as detailed in ***Appendix 3.2***.

On this being pointed out in audit, the division stated (June 2017) that while preparing the estimates, there were some limitations such as cost of project to be taken as per hectare and during execution, some hidden items were increased.

The reply is not acceptable as the guidelines for adoption of ratio for inner side slope of canal in the ratio of 1.5:1 was issued in February 1995 and the estimates to the present work were prepared in the year 2008-09. The non-compliance to guidelines at the time of estimation led to enormous excess quantities of excavation and payment under clause-38 of the contract.

The matter was referred to the Government (August 2019); reply thereto was awaited (June 2020).

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[37] Balance work of "providing and constructing earth work of main canal, distributaries between km 21 and 32 of left bank canal of Lower Panzara (Akkalpada) Medium Project"

[38] As per clause 38 of the contract, the contractor shall, if ordered in writing by the Engineer-in-charge to do so, carry out any items of work beyond 125 *per cent* of the tender quantity in accordance with the specifications in the tender. The contractor will be paid at the tender rate for the quantity up to 125 *per cent* and for the quantity beyond 125 *per cent* of the tendered quantity, he will be paid at the rates (i) derived from the rates entered in current schedule of rates and in the absence of such rates (ii) at the rates prevailing in the market

3.10 Excess Expenditure

Failure to comply prescribed norms resulted in incorrect/defective estimation and excess expenditure of ₹ 2.15 crore under clause-38

Paragraph 255 of MPWM prescribes that no work shall be begun, except under special orders of Government, unless a properly detailed design and estimate have been sanctioned.

Further, paragraph 4.1.3 of Manual of Minor Irrigation Works in Maharashtra State, 1983 provides that the object of preliminary survey is to find out the quantities of earth work, masonry work and storage capacity *etc.* as accurately as possible, so that the technical and economic feasibility of the project can be correctly decided. Paragraph 4.3.3 *ibid* envisages that before proceeding with detailed survey, it is important to fix the most suitable and economical alignment of dam in the first instance having due regard to the location of waste weir, outlet *etc*. Paragraph 4.3.4 envisages for survey for waste weir and stipulates that for fixing of the exact site of the waste weir in the best place and for detailed design of the work and of its approaches and tail channels, it is necessary to have very detailed information regarding the levels and slopes of the ground on the flank of the tank or other site in saddle portion selected for the work.

Water Resources Department (WRD) accorded (December 2006) AA for ₹ 41.72 crore to Karajgaon Larger Minor Irrigation Project. The detailed survey and investigation for this project was conducted in January 2003. The estimates for the work of construction of earthen dam, waste weir & head regulator of Karajgaon Minor Irrigation Tank was technically sanctioned by Nagpur regional office for ₹ 29.15 crore in May 2008 which included estimates for waste weir costing ₹ 5.43 crore.

Further, the Irrigation Division, Amravati (division) awarded (July 2008) the work of construction of earthen dam, waste weir & head regulator of Karajgaon Minor Irrigation Tank to a contractor for ₹ 29.90 crore *i.e.* 19.45 *per cent* above the estimated cost (₹ 25.03 crore). The work was stipulated to be completed in 30 months (January 2011). The latest extension for completion of work was granted up to December 2019. The contractor was paid ₹ 70.06 crore (November 2018) for the work executed up to the 20th running account bill (RAB). The work is still not completed (August 2019).

Scrutiny revealed (July 2017) that:

i) During execution of the work, design of Cut-Of-Trench (COT) of earthen dam was received (April 2010) from the Central Design Organisation, Nashik (CDO). As per the design, quantities of items 3 and 6 of contract were increased substantially and as a result, for execution of excess quantities beyond 125 *per cent* of tendered quantities, Upper Wardha Project Circle, Amravati sanctioned (May 2012) the clause-38[39] proposal for ₹ 4.04 crore. As against this sanction, the contractor was paid an amount of ₹ 3.19 crore for the work executed under clause-38 till November 2018.

ii) As the foundation of waste weir was resting on yellow soil, according to norms, the design of structure costing ₹ 3.00 crore was required to be obtained from CDO. The division had submitted necessary data to CDO in December 2010. The waste weir design was finalized by CDO in January 2014 after conducting site inspection. Amravati regional office approved the design in April 2014. However, this necessitated the changes in scope of work and quantities of certain items of work were increased substantially than the quantities estimated in the original estimate/contract and some new items of work also cropped up.

As a result, Upper Wardha Project circle sanctioned (April 2015) (i) clause-38 proposal for ₹ 14.31 crore for execution of items of work beyond 125 *per cent* of the tendered quantity as well as (ii) Extra Item Rate list (EIRL[40]) proposal for ₹ 10.25 crore for execution of new items of work which were not part of the original contract. Out of that, the contractor was paid an amount of ₹ 12.87 crore for the work executed under Clause-38 and ₹ 10.05 crore for the work executed under EIRL till November 2018.

Thus, the commencement of the work before finalization of design of waste weir/COT and issue of work order prior to receipt of approved design from CDO resulted in payment at higher rates under Clause-38 and EIRL. The division had incurred an excess expenditure of ₹ 2.15 crore on account of clause-38 and expenditure under EIRL amounting to ₹ 10.05 crore **(*Appendix 3.3*)**.

On this being pointed in audit, the VIDC stated (January 2020) that the work started in 2010 based on rates of 2007-08. The clause-38 had to be applied due to change in design of spillway and tail channel and there would have an excess expenditure of ₹ 4.83 crore if the estimate was prepared based on the rates of 2014 *i.e.* after final drawing to avoid clause 38 and EIRL.

The reply is not acceptable, as the division was well aware that the cost of waste weir was in excess of ₹ three crore and that there was presence of yellow soil in foundation. Thus, as per norms, the department should have obtained approval to design from CDO prior to the commencement of work.

This depicts the non-compliance to the prescribed norms by the departmental authorities resulting in excess and avoidable expenditure on the execution of the project.

The matter was referred to the Government (September 2019); reply thereto was awaited (June 2020).

[39] As per clause 38 of the contract, the contractor shall, if ordered in writing by the Engineer-in-charge to do so, carry out any items of work beyond 125 *per cent* of the tender quantity in accordance with the specifications in the tender. The contractor will be paid at the tender rate for the quantity up to 125 *per cent* and for the quantity beyond 125 *per cent* of the tendered quantity, he will be paid at the rates (i) derived from the rates entered in current schedule of rates and in the absence of such rates (ii) at the rates prevailing in the market

[40] EIRL is the item of work which was not included in the tender and cropped up during the execution of work