Report of the
Comptroller and Auditor General of India
on
Economic Sector
for the year ended 31 March 2013

The Report has been laid on the table of the State Legislature Assembly on 25-07-2014

Government of Gujarat
Report No. 4 of the year 2014

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GOVERNMENT OF GUJARAT

(Report No. 4 of the year 2014)

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PREFACE

- This Report is prepared for submission to the Governor of the State of Gujarat under Article 151 of the Constitution of India.

- The audit of expenditure by the Departments of the State Government is conducted under Section 13 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

- This Report presents the results of audit of expenditure of the Government of Gujarat under the Economic Services. The cases mentioned in this Report are those, which came to notice in the course of test audit during the year 2012-13 as well as those, which came to notice in the earlier years, but could not be dealt with in the previous Reports; matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

- The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) presents matters arising from Performance Audit and Compliance Audit of the departments of the Government of Gujarat in the Economic Sector.

The Compliance Audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. On other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improve financial management of the organisations, thus, contributing to better governance.

This chapter explains the planning and extent of audit, provides a synopsis of the significant audit observations made during various types of audits and also briefly analyse the follow-up on the previous Audit Reports. Chapter-II contains performance audit on “Functioning of Gujarat Maritime Board” of Ports and Transport Department of Government of Gujarat (GoG). Chapter-III contains two paragraphs pertaining to Water Resources Department of GoG *viz.* – (i) Irregularities in Tender Process and Incorrect Tender Provisions, and (ii) Incomplete Irrigation Projects due to Non-Acquisition of Land and contains other audit observations on the expenditure transactions of Government Departments.

1.2 Audited Entity Profile

The Accountant General (Economic & Revenue Sector Audit), Gujarat conducts audit of the expenditure under the Economic Services incurred by 10 departments in the State at the Secretariat level and also the field offices, 55 autonomous bodies and 63 public sector undertakings (PSUs) falling under the jurisdiction of these 10 departments. The departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners/Chief Engineers and subordinate officers under them.

The summary of fiscal transactions during the year 2011-12 and 2012-13 is as given in **Table-1**:

Table 1: Summary of fiscal operations

(₹in crore)

Receipts			Disbursements				
	2011-12	2012-13		2011-12	2012-13		
					Non-Plan	Plan	Total
Section-A: Revenue							
Revenue receipts	**62,958.99**	**75,228.53**	**Revenue expenditure**	**59,744.46**	**47145.69**	**22,512.80**	**69,658.49**
Tax revenue	44,252.29	53,896.69	General services	21,480.52	23,167.93	960.34	24,128.27
Non-tax revenue	5,276.52	6,016.99	Social services	24,545.79	16,230.47	13,298.50	29,528.97
Share of Union taxes/ duties	7,780.31	8,869.05	Economic services	13,518.37	7,585.01	8,253.96	15,838.97
Grants from Government of India	5,649.87	6,445.80	Grants-in-aid and Contributions	199.78	162.28	-	162.28
Section-B: Capital							
Misc. Capital receipts	10.00	0.00	Capital Outlay	13,811.70	75.49	21,151.03	21,226.52
Recoveries of Loans and Advances	165.44	46.90	Loans and Advances disbursed	605.34	586.68	295.57	882.25
Public Debt receipts*	17,534.76	19,497.19	Repayment of Public Debt*	5,275.19	-	-	6,536.52
Contingency Fund	0.66	80.50	Contingency Fund	80.50	-	-	0.00
Public Account receipts	79,653.14	50,046.35	Public Account disbursements	77,160.79	-	-	46,537.61
Opening Cash Balance	14,986.80	18,631.81	Closing Cash Balance	18,631.81	-	-	18,689.89
Total	**1,75,309.79**	**1,63,531.28**		**1,75,309.79**	**47,807.86**	**43,959.40**	**1,63,531.28**

Source: Finance Accounts of the respective years.

* Excluding net transactions under ways & means advances and overdrafts.

1.3 Authority for Audit

The authority for audit by the C&AG is derived from the Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure of the Departments of Government of Gujarat under Section 13[1] of the C&AG's (DPC) Act. The C&AG is the sole auditor in respect of bodies/authorities which are audited under Sections 19 (2)[2], 19 (3)[3] and 20(1)[4] of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of other autonomous bodies, under Section 14[5] of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for

[1] Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.

[2] Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

[3] Audit of accounts of Corporations established by law made by the State Legislature, on the request of the Governor.

[4] Where the audit of the accounts of anybody or authority has not been entrusted to the CAG by or under any law made by Parliament, he shall, if requested so to do by the Governor of a State, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the Government.

[5] Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of anybody or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore.

various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational structure of the Office of the Accountant General (E&RSA), Gujarat

Under the directions of the C&AG, the Office of the Accountant General (Economic & Revenue Sector Audit), Gujarat conducts audit of Government Departments/Offices/Autonomous Bodies/Institutions under the Economic and Revenue Sector which are spread all over the State. The Accountant General (Economic & Revenue Sector Audit) is assisted by four Group Officers.

1.5 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of State under Article 151 of the Constitution of India.

During 2012-13, in the Economic Sector Audit Wing 7,704 party-days[6] were utilised covering 254 units under compliance audit and five performance audits (including three All India Reviews). The audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during Compliance Audit of the Government departments/organisations were also reported upon.

The present Report contains one performance audit and nine compliance audit paragraphs of expenditure audit pertaining to the Narmada, Water Resources, Water Supply and Kalpsar (NWRWS&K) and Roads and Buildings (R&B) Departments.

[6] Inclusive of the party days provided for the audit of PSUs and its audit findings are included in the Audit Report (PSUs)

1.6.1 Performance Audit

Chapter II of this report contains Performance Audit observations related to the 'Functioning of Gujarat Maritime Board (GMB)'. The GMB was established for administration, control and management of all minor ports in the State of Gujarat. The performance audit covers the period from 2008-09 to 2012-13.

GoG declared the Port Policy (December 1995) and enacted Gujarat Infrastructure Development Act, 1999 for development of ports in the State through private participation and GMB. Though Port Policy discouraged development of captive jetties, GMB had entered into nine captive jetty agreements (CJAs) after declaration of Port Policy. The non-recovery of full wharfage after set-off of the cost of captive jetty (₹ 362.01 crore), erroneous calculation of set-off and application of incorrect full wharfage rate after set-off period resulted in short recovery of wharfage amounting to ₹ 649.29 crore from Reliance Petroleum Limited. In nine CJAs where cost verification was completed, maintenance cost of ₹ 108.87 crore was incorrectly added to cost of jetty though it was neither claimed within ten years nor vouchers for actual expenditure were produced by captive jetty owner.

Similarly, Port Policy envisaged development of private jetties as interim arrangement till new ports became operational. However, 16 agreements for private jetties for period from five to twenty-five years were entered into after declaration of Port Policy. Non-initiation of timely action against the private jetty holders as per terms of License Agreements and non-availability of Bank Guarantee towards minimum wharfage led to outstanding recovery of ₹ 8.25 crore.

GoG extended the port limit for four Single Buoy Moorings (SBMs) without signing the required supplementary concession agreement (SCA) to legally enable GoG to set-off the amount of concession availed by it at the time of transfer of Mundra port. The construction of a quay in Phase 1 of Mundra port was regularised without submission of revised DPR indicating non-monitoring of the port constructions. Incorrect application of full water front royalty rate instead of the escalated rate for coal and crude handled resulted in short recovery of ₹ 118.12 crore.

The work of internal audit wing did not include pre-audit of tender documents/agreements, audit of application of tariff by port offices and its reports were not submitted to the BoD. No system to monitor the construction activities at the private ports was in existence and the MIS did not provide performance related details on the activities of the ports.

1.6.2 Compliance Audit

Chapter III of this Report contains two paragraphs on Irregularities in Tender Process and Incorrect Tender Provisions in Water Resources Department and Incomplete irrigation projects due to non-acquisition of land, and seven other individual paragraphs on audit of compliance.

1.6.2.1 Irregularities in Tender Process and Incorrect Tender Provisions

Audit scrutinised tender documents and the applicable procedures followed by the Water Resources Department of GoG / selected 16 divisions in the award of 73 works (Estimated cost: ₹ 1,614 crore) during the period 2009-10 to 2012-13 revealed the following irregularities/deficiencies:

Instances of non-recovery of security deposit and performance bond as per the terms of contract led to overpayments/financial accommodation to the contractors for ₹ 2.66 crore. Prescribed procedures were not followed in publishing and the issuance of tender notices. Changing of pre-qualification (PQ) criteria, inept evaluation of PQ bids and execution of works without tender process and award of works at unworkable rates had not only resulted in improper selection of contractors but also exposed the Department with the risk of time overruns in completion of works. The possibility of undue benefit of ₹ 53.67 crore accruing to contractors could not be ruled out considering the improper estimates prepared for the works and also the absence of a mechanism with the divisions to verify the validity of central excise duty (CED) exemption availed by the contractors. Further, the adoption of incorrect tender provisions regarding price escalation/variations and also grade mix led to avoidable/excess payments of ₹ 4.16 crore.

(Paragraph 3.1)

1.6.2.2 Incomplete irrigation projects due to non-acquisition of land

The Audit test checked the records of seven divisions of the Water Resources Department in which 12 irrigation works estimated to cost ₹ 54.16 crore undertaken were not completed even after the delay of one to 14 years (May 2013) from their stipulated period of completion. As observed in audit, the non-completion of the irrigation works was mainly because of award of works before acquisition of required land in violation of the provisions of the Gujarat Public Works (GPW) Manual. Further, the divisions/the Department had not taken adequate and effective action to obtain the prior permission from the concerned authorities for acquisition of forest land and also not expedited the land acquisition process with Revenue Department. Consequently, even after incurring an expenditure of ₹ 97.40 crore on the projects/works, envisaged irrigation benefit to 13,405 ha land of 53 villages remained to be achieved due to incomplete irrigation projects.

(Paragraph 3.2)

The compliance audit of the NWRWS&K and R&B Departments of the Government and their field offices revealed seven cases of wasteful expenditure, avoidable/excess expenditure and idle investment aggregating ₹ 9.82 crore as detailed below:

1. Wasteful expenditure of ₹ 1.02 crore was noticed in NWRWS&K due to laying underground pipeline without conducting geological investigation before award of work.

(Paragraph 3.3.1)

2. Idle investment/idle establishment/blockage of funds of ₹ 2.78 crore was noticed in NWRWS&K Department as the construction of approach road to the bridge was delayed due to belated action in acquiring land.

(Paragraph 3.4.1)

3. Avoidable/excess/unfruitful expenditure of ₹ 6.02 crore was noticed in NWRWS&K (₹ 3.04 crore) and R&B Department (₹ 2.98 crore) as shown below:

- *Incorrect application of wholesale price index in the calculation of price variation payments led to excess expenditure of ₹ 1.81 crore in NWRWS&K and R&B Departments.*

(Paragraph 3.5.1)

- *Non-adherence to Government instructions led to avoidable expenditure of interest of ₹ 1.56 crore on late payment of enhanced compensation in land acquisition cases of NWRWS&K Department.*

(Paragraph 3.5.2)

- *Failure to decide appropriate specifications and improper assessment of quantum of work before awarding it led to avoidable expenditure of ₹ 1.35 crore due to execution of extra/excess items of work at a higher rate by the R&B Department*.

(Paragraph 3.5.3)

- *Non-adherence to the stipulations of lease agreement led to avoidable payments of additional lease premium of ₹ 73.04 lakh. Further, investment of ₹ 112.37 lakh made by the R&B Department in the leased plots also remained unfruitful for more than a decade.*

(Paragraph 3.5.4)

- *Failure to cause the energy audit done led to inefficient use of electrical energy and incurring avoidable expenditure of ₹ 56.83 lakh*

(Paragraph 3.5.5)

1.7 Response of Government to Audit

1.7.1 Inspection Reports

The Hand Book of Instructions for prompt Settlement of Audit Objections/Inspection Report issued by the Finance Department, GoG in 1992 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure rectifying action in compliance with the prescribed rules and procedures and fix accountability for the deficiencies, omissions *etc.*, noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the AG within four weeks of receipt of the IRs. Periodical reminders are issued to the Head of the Department requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

Two Audit Committee meetings were held during the year 2012-13 in respect of paragraphs contained in IRs pertaining to economic sector departments. As of 30 September 2013, 3,217 IRs (10,622 paragraphs) were outstanding against ten departments under the Economic Sector. Year-wise details of IRs and paragraphs outstanding are given in **Appendix-I**.

1.7.2 Performance Audit and Draft Paragraphs

One Performance Audit and nine Draft Paragraphs were forwarded to the Principal Secretaries/Secretaries of the concerned departments between April and June 2013 with a request to send their responses within four weeks. The departments have replied to all the nine Draft Paragraphs and Performance Audit Report featured in this Report. Exit conference was also held with the concerned Department on the audit findings included in the Performance Audit Report. The replies of the department and the views expressed by them have been duly considered while finalising this Report.

CHAPTER II

PERFORMANCE AUDIT

PORTS AND TRANSPORT DEPARTMENT

2 Functioning of Gujarat Maritime Board

Executive Summary

The State of Gujarat serves the vast north and central Indian hinterland. Pursuant to enactment of Gujarat Maritime Board Act, 1981, Gujarat Maritime Board (GMB) was established for administration, control and management of all minor ports in the State of Gujarat. The performance audit covers the period from 2008-09 to 2012-13 to get a reasonable assurance for Planning of Port related infrastructure by GoG/GMB, Financial management by GMB, Port related tariff fixation, Operational efficiency of GMB, Project implementation by GMB and Monitoring and control.

GoG declared the Port Policy (December 1995) and enacted Gujarat Infrastructure Development Act, 1999 for development of ports in the State through private participation and GMB. Though Port Policy discouraged development of captive jetties, GMB entered into nine captive jetty agreements. In nine captive jetty agreements (CJAs) where cost verification was completed, maintenance cost of ₹ 108.87 crore was incorrectly added to cost of jetty though it was neither claimed within ten years nor vouchers for actual expenditure were produced by captive jetty owners. Undue benefit was extended to Reliance Petroleum Limited (RPL) by non-recovery of full wharfage rate after the cost of captive jetty (₹ 362.01 crore) constructed by it was set-off. Further, erroneous calculation of set-off value and application of incorrect wharfage rate resulted in short recovery of ₹ 649.29 crore from RPL.

Similarly, Port Policy envisaged development of private jetties as interim arrangement till new ports became operational. However, 16 agreements for private jetties for period from five to twenty-five years were entered in to after declaration of Port Policy. Non-initiation of timely action against the private jetty holders as per terms of License Agreements and non-availability of Bank Guarantee towards minimum wharfage led to outstanding recovery of ₹ 8.25 crore.

GoG extended the port limit for four Single Buoy Moorings (SBMs) without signing the required supplementary concession agreement (SCA) to legally enable GoG to set-off the amount of concession availed by it at the time of transfer of Mundra port. The construction of a quay in Phase 1 of Mundra port was regularised without submission of revised Detailed Project Report (DPR) indicating non-monitoring of the port constructions. Incorrect application of full water front royalty rate instead of the escalated rate for coal and crude handled resulted in short recovery of ₹ 118.12 crore.

2.1 Introduction

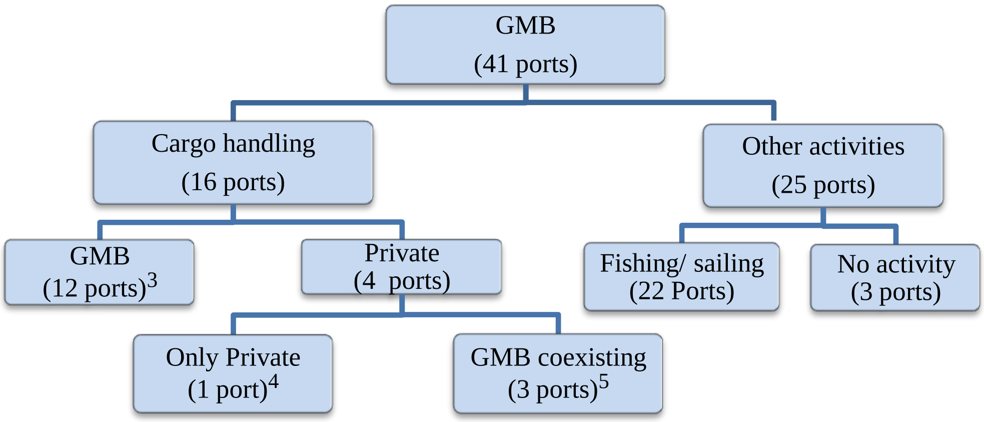
The State of Gujarat has 1,600 km long coastline and hence the ports in the State play an important role in stimulating economic activity by serving the vast north and central Indian hinterland. The State had one major port at Kandla and 41 minor ports as on 31 March 2013. The Government of Gujarat (GoG) managed all the minor ports (port) until April 1982. Kandla Port is managed by Government of India (GoI) under the Major Port Trust Act, 1963. Gujarat Maritime Board Act, 1981 (GMB Act) was enacted on 23 June 1981 for administration, control and management of these ports. Accordingly, Gujarat Maritime Board (GMB) was established (April 1982) by GoG under the administrative control of the Ports and Transport (P&T) Department of GoG. It is responsible for the development of infrastructure and port related

activities. For effective control and administration, the GMB has classified the 41 ports based on their geographical location into 11 Port Offices[1] (POs). GMB controls the activities of ports through its 11 POs and collects both the State charges and its own charges. The management of GMB is vested in a Board of Directors (BoD) consisting of twelve members including the Chairman, who are appointed by the State Government. The Vice Chairman and Chief Executive Officer is assisted in day-to-day functioning by 11 Head of the departments[2] (HoD) and 11 Port Officers. The activity wise classification of the 41 GMB ports is as given below:

[1] Alang, Bharuch, Bhavnagar, Jafrabad, Jamnagar, Mandvi, Navlakhi, Okha, Porbandar, Surat and Veraval.

[2] Chief Engineer (Civil), Financial Controller and Chief Accounts Officer, Superintending Engineer (SE) (Mechanical), SE (Dredging), Chief General Manager, Traffic Manager, General Manager (GM) (Human Resources), GM (Projects), Executive Engineer (Privatisation cell), Public Relations Officer and Deputy General Manager (Environment).

Activity wise classification of GMB Ports



For the purpose of the review, Audit reviewed the records available at Head office and selected 3 out of 11 POs based on revenue earned and traffic handled in the ports. The selected POs had five cargo handling ports and 14 fishing and sailing ports. All the captive jetty[6] agreement, license agreement of private jetty[7] and concession agreements in respect of private ports[8] were reviewed in Audit. Besides the Schedule of Port Charges (SoPC) notified in 2003 and 2012 were reviewed in Audit. The Glossary of terms used in this performance audit has been explained in the **Appendix-II**.

The functioning of Gujarat Maritime Board was earlier reviewed and reported in the C&AG's Audit Report (Civil), Government of Gujarat for the year ended 31 March 2005. The discussion on Report was completed by the Public Accounts Committee. However, no recommendations were made (January 2014).

2.2 Audit objectives

Audit undertook this performance audit to get a reasonable assurance that:

- the planning done by the P&T Department and GMB was adequate for implementing the Port Policy and BOOT Principles;
- the grants were released as per agreed parameters and the expenditure was incurred in accordance with the GoG and GMB's approved budget and with due regard to financial norms and propriety;
- GMB had a system for regular revision of tariffs and timely recovery of the same;
- the ports of GMB were managed in an effective and efficient manner;

[3] Bedi, Bhavnagar, Jakhau, Magdalla, Mandvi, Mul-Dwaraka, Navlakhi, Okha, Pipavav (Victor), Porbandar, Sikka and Veraval.
[4] Hazira port.
[5] Dahej, Mundra (Old Mundra Port and Gujarat Adani Port Limited) and Pipavav.
[6] Jetties constructed by the industries for captive use in GMB ports.
[7] GMB jetties given to private parties for commercial operation in GMB ports.
[8] Minor ports in the State of Gujarat, which are handed over for a fixed period to private sector/ joint sector by entering into a concession agreement.

- the execution of works by GMB at its ports were done with due regard to efficiency, economy and effectiveness;

- the agreements entered into with private parties for development of captive jetties, private jetties and private ports were not prejudicial to the interest of GMB or GoG; and

- GMB had a proper and adequate monitoring mechanism in place.

2.3 Audit scope and Methodology

The performance audit covered the period from 2008-09 to 2012-13. An entry conference on 20 May 2013 was held with the Additional Chief Secretary of the P&T Department and the Vice Chairman and Chief Executive Officer (VC&CEO) of the GMB in which the scope, methodology and audit objectives were explained. Audit examined the records at Head Office and in the selected three POs[9] of GMB. The audit findings was reported to the Management/ State Government and the replies received (November/ December 2013) have been incorporated in the relevant paragraphs. An exit conference was held on 5 December 2013 with the Additional Chief Secretary of the P&T Department and GMB Officials to discuss the draft audit findings. The views expressed by them have been considered while finalising this report.

2.4 Audit criteria

Audit adopted following audit criteria for assessing the performance of GMB.

- Indian Ports Act, 1908, GMB Act, 1981, GoG's Port Policy (1995), GoG's BOOT Principles (1997) and Gujarat Infrastructure Development Act, 1999;

- GMB's annual plan, five year plan for development of ports;

- Agenda and minutes of the BoD of GMB and its subsidiary committees;

- Gujarat Budget Manual, Gujarat Financial Rules, Progress reports, correspondence and utilisation certificates in respect of grants, *etc.*;

- Schemes, guidelines, resolutions and instructions of both the GoG and the GoI;

- Schedule of Port Charges (SoPC) as prescribed, approved and updated; and

- Project reports submitted by the developers, agreements with private participants for the development of captive jetties and private ports and license agreements for private jetties.

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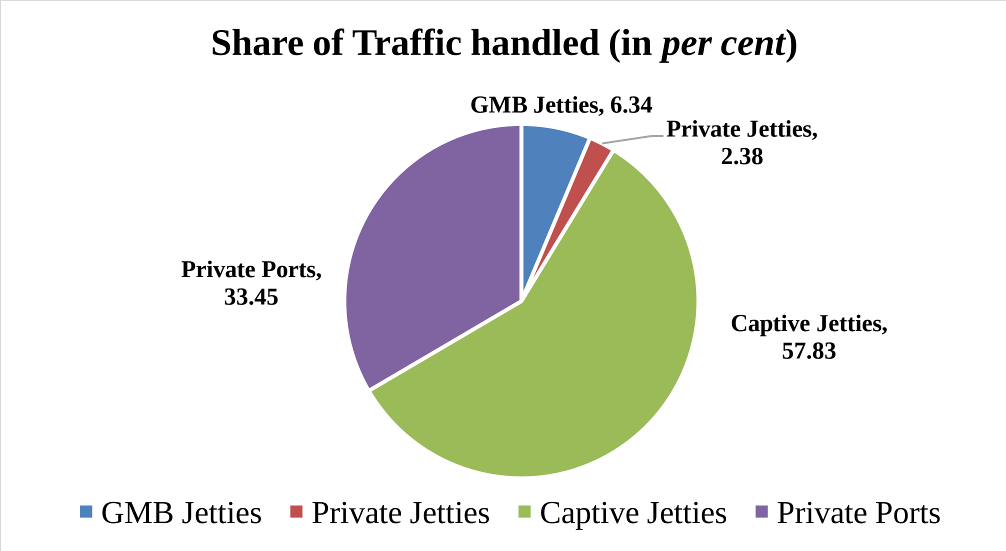
[9] Bharuch, Jamnagar and Magdalla.

Audit Planning

2.5 Planning

During 2008-09 to 2012-13, captive jetty, private jetty and private ports handled majority of the port traffic in the State (93.66 *per cent*) as may be seen below. The share of GMB jetty was very negligible in the total port traffic handled in the State (6.34 *per cent*).



The GoG/ GMB had initiated several measures for the privatisation of the port sector. The GoG declared the Port Policy[10] in December 1995, issued BOOT (Build, Own, Operate and Transfer) policy in July 1997 and later enacted Gujarat Infrastructure Development Act (GID Act) in April 1999, for the development of ports in the State through GMB and with private sector participation. The P&T Department and GMB are responsible for preparing long-term and short-term plans for ensuring the timely implementation of the objectives of the Port Policy and regulating the port development activities as per the provisions of BOOT Principles and GID Act.

Audit observed that due to non-fixation of time limit in the Port Policy and BOOT Principles, the objectives of the Port Policy were not fully achieved in the manner envisaged as discussed in **paragraph 2.10**.

The Port Policy also envisaged formation of a Dredging Corporation of Gujarat Limited, a Port Regulatory Authority, laying down qualification criteria for pilots and granting licenses for deployment of pilots and appointment of pilotage agencies. Audit observed that these were not done as on 31 March 2013.

[10] The Port Policy for development of port infrastructure in the State was declared by identifying the locations where ports were to be developed with private/ joint sector participation as per the BOOT principles.

2.6 Financial management

2.6.1 The GMB funds its operations from the charges it recovers from its port users as per the SoPC. GMB also receives 15 *per cent* of the State charges collected by it as administrative charges from the GoG *viz*., wharfage charges[11], Water Front Royalty[12] (WFR), *etc*., on its behalf. Further, GMB gets capital grant from the GoG for any special capital expenditure. The accounts up to 2011-12 have been audited while that of 2012-13 have been adopted by the BoD. The audit is under progress (January 2014). The financial position of GMB for the year 2008-09 to 2012-13 is as given in **Table 1**:

Table 1: Financial Position of GMB

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Assets					
Fixed Assets	534.95	588.72	594.22	679.00	699.06
Less: Depreciation	159.56	171.92	184.49	195.18	208.58
Net Fixed Assets	375.39	416.80	409.73	483.82	490.48
Work in progress	42.36	38.28	125.79	95.89	197.13
Investment	174.68	187.79	160.94	166.80	166.80
Current Assets	605.24	612.56	691.75	852.46	1,137.22
Total Assets	**1,197.67**	**1,255.43**	**1,388.21**	**1,598.97**	**1,991.63**
Liabilities					
Revenue reserves	740.86	794.02	815.30	939.91	1,187.36
Other funds	180.94	180.94	280.94	330.94	522.94
Current liabilities	275.87	280.47	291.97	328.12	281.33
Total Liabilities	**1,197.67**	**1,255.43**	**1,388.21**	**1,598.97**	**1,991.63**

(**Source**: Financial Statements of GMB)

The substantial increase in the current assets during 2011-12 and 2012-13 was due to increase in amount of advance tax paid, administrative charges receivable from the GoG and increase in the deposits of surplus funds. Revenue reserves had increased due to the increased profits but the fixed assets had not increased substantially indicating low major capital expenditure by GMB out of its own funds during the above period.

2.6.2 The working results of GMB for the period from 2008-09 to 2012-13 are as given in **Table 2**:

Table 2: Working results

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Income					
Operational income	109.89	139.68	137.70	181.04	254.52
Administrative charges received/ receivable from the GoG	41.80	51.53	54.18	68.02	86.65
Interest income	52.01	29.94	26.92	43.48	56.69
Other income	3.54	10.33	14.03	6.13	4.08
Total Income	**207.24**	**231.48**	**232.83**	**298.67**	**401.94**
Expenditure					
Operational expenditure	35.77	63.96	33.91	40.91	45.32
Expenditure on employees	55.19	49.95	61.66	67.96	76.52
Administrative expenses and other charges	16.79	16.61	68.46	17.69	19.66
Pension and gratuity contribution	74.08	47.80	47.52	47.50	12.99
Total Expenditure	**181.83**	**178.32**	**211.55**	**174.06**	**154.49**
Net revenue	**25.41**	**53.16**	**21.28**	**124.61**	**247.45**

(**Source:** Financial Statements of GMB)

[11] A charge levied by the GoG on cargo landed at/ shipped from GMB Ports (including GMB jetty, Private jetty and Captive jetty). This charge is also known as landing and shipping fees.

[12] Charges levied by the GoG for water front leased to the developer on cargo landed at/ shipped from Private Ports.

During 2012-13 the operational income of GMB increased due to upward revision of port related charges and increase in cargo handling; whereas in 2011- 12 the increase was due to increased cargo and increased income from ship recycling and ship building yards. The high administrative expense and other charges in 2010-11 were due to write-off of ₹ 45.81 crore due to reduction in the value of investment held in Gujarat Chemical Port Terminal Company Limited.

2.6.3 *Annual Budgets*

Up to 2007-08, GMB was recovering all charges under the GMB Act and depositing 30 *per cent* of it to the GoG. The GoG amended (30 September 2008) the GMB Act specifying that the State charges[13] to be levied by the GoG were to be collected by the GMB on GoG's behalf and deposit the same in the GoG's account[14] directly without taking the same in GMBs books of accounts. Other charges[15] were to be levied and collected by GMB as its revenue. The GoG paid to GMB, 15 *per cent* of the total State charges recovered by it as administrative charges. To compensate for the reduced revenue, the GoG was providing separate capital grant for development expenditure of the ports to GMB.

2.6.4 Budget estimates of the GoG revenue

The detailed Budget estimates of the GoG revenue from State charges *vis-à-vis* actual revenue realised for review period is as given in **Table 3**:

Table 3: Budget of GoG Revenue

(₹ in crore)

Year	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Budget estimates of the GoG of State charges receivable	266.56*	500.00	540.00	540.00	728.00	**2,574.56**
State charges collected and deposited by GMB	278.67	343.53	361.21	453.49	577.63	**2,014.53**
Share of GMB at 15 *per cent*	41.80**	51.53	54.18	68.02	86.65	**302.18**
Actually received by GMB	41.80**	51.08	76.87	46.90	65.07	**281.72**

(**Source**: Budget documents of the GoG)

*The figure for 2008-09 is as per the revised estimates since the figures of budget estimates were not available being first year after amendment.

** This amount was retained by GMB as its administrative charges from the amount deposited in GoG.

From the above table it can be observed that against the budget estimates of ₹ 2,574.56 crore, the GMB deposited ₹ 2,014.53 crore towards State charges during 2008-09 to 2012-13. Against the actual total State charges deposited by GMB for the period, the GMB received ₹ 281.72 crore, which led to short receipt of ₹ 20.46 crore.

The Government stated (December 2013) that GMB had coordinated with the Department to get the shortfall released.

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13 State Charges are wharfage charges, lighterage levy, license fees, water front royalty and water front fees.

14 Sub-head 1 to 7 of minor-head 103 and sub-head 1 of minor-head 800 of Sub-major Head 02 of Major Head 1051 for Ports and Light houses of the GoG.

15 Other charges are Port dues, Anchorage charges, Berth hire charges, Pilotage charges, Mooring Charges, Beaching fees, Demurrage charges, Detention charges, *etc.*

2.6.5 Budget provisions of the GoG capital grant

The GoG provided capital grant to GMB in the budget[16] for the development of ports. The details in this regard are as given in **Table 4**:

Table 4: Capital Grant provided to GMB

(₹ in crore)

Year	Budget provision	Received by GMB	Utilised by GMB	(Excess)/ Saving
1	2	3	4	3-4=5
2010-11	100.00	100.00	100.00	--
2011-12	50.00	50.00	50.00	--
2012-13	256.00	192.00	40.16	151.84
Total	**406.00**	**342.00**	**190.16**	**151.84**

(**Source**: Budget documents of the GoG)

During 2010-11, against the capital grant of ₹ 100 crore released for four projects[17], GMB had spent ₹ 86.66 crore on these and had diverted the remaining ₹ 13.34 crore to other projects. The capital grant of ₹ 192 crore was released in 2012-13 for construction of Roll on-Roll off (Ro-Ro) ferry project. However, only ₹ 40.16 crore was utilised by GMB and the remaining ₹ 151.84 crore remained unutilised at the end of 2012-13.

The Management stated (November 2013) that the diversion of grant for other projects had been done under intimation to the Government. The same has been endorsed by the GoG (December 2013). However, the reply was not acceptable as no approval for diversion had been received from the GoG.

2.6.6 Outstanding recovery of lease rent from ABG Shipyard Limited

The GMB handed over possession of the water front of 900 metres and adjoining backup land of 2,68,215 square metre (sqm) in village Jageshwar in Bharuch District to ABG Shipyard Limited (ABG) in two Phases (May and July 2006) for 30 years lease with effect from 1 April 2006 for shipbuilding yard. The lease rent was to be paid in advance before the last day of previous year and was to be escalated by 10 *per cent* after every three years[18].

Audit observed (May 2013) that GMB had neither recovered lease rent of ₹ 1.13 crore (₹ 96.78 lakh *plus* interest ₹ 16.21 lakh) for the year 2012-13 nor the lease rent of ₹ 96.78 lakh for the year 2013-14 (due on 1 April 2013) as on date (June 2013). Thus, ₹ 2.10 crore remained outstanding (June 2013) and was not paid in spite of issuance of reminders by GMB to ABG. GMB, however, did not take any action to suspend the operation of shipbuilding facility of ABG as per the terms of the agreement.

[16] Under sub-head 01 of minor-head 800 of Sub-major Head 02 of Major Head 5051 for capital outlay on Ports and Light houses of the GoG.

[17] Purchase of land at Dahej: Sanction (S)-₹ 45 crore (Expenditure (E)-₹ 59.62 crore); Purchase of land at Chhara: S-₹ 36 crore (E-₹ 0); Development of Ro-Ro ferry between Ghogha and Dahej: S-₹ 8 crore (E-₹ 6.64 crore); Development of Lakadiya bridge at Bhavnagar: S-₹ 11 crore (E-₹ 20.40 crore).

[18] The lease rent was to be ₹ 27.50 *per* sqm (1 April 2006 till 31 March 2009), ₹ 30.25 *per* sqm (1 April 2009 till 31 March 2012) and ₹ 33.27 *per* sqm (1 April 2012 till 31 March 2015).

The Government stated (December 2013) that if the outstanding was not recovered within the time limit given by GMB, action as per the agreement would be taken. It was further stated that a part recovery of ₹ 25.60 lakh was made (December 2013) and the balance amount will be recovered as per terms of agreement.

2.6.7 Non-utilisation of funds due to delay in project implementation

Under the GoI scheme for ‘Assistance to States for Developing of Export Infrastructure and other Allied Activities (ASIDE) for development of Minor Fishing Harbour (MFH)’, GMB obtained (March 2008) assistance of ₹ 16.67 crore through the Fisheries Department of GoG for developing fishing harbour at Jafrabad Port. As stipulated in the administrative approval granted by the GoG for the project (April 2007), the environmental clearance for the project was to be obtained by the GMB before commencement of construction of MFH. Being a fishing harbour project, the GMB requested (September 2008) the Fisheries Department of the GoG to obtain the environmental clearance. However, GMB failed to follow up with the Fisheries Department leading to non-utilisation of ₹ 16.67 crore since March 2008. It led to non-realisation of the envisaged benefits of providing landing and shipping facility and fish drying platform area for “Bumla” fish to fishermen (September 2013).

In the exit conference (05 December 2013) it was stated that the possibility of utilising the fund or surrendering it to GOI would be assessed for taking necessary action. Government stated (December 2013) that it had taken proactive role and has followed up the matter with the Fisheries Department for expediting the environmental clearance. However, the reply was not acceptable as the administrative approval of GoG required GMB to obtain the environment clearance.

Tariff fixation

2.7 Schedule of Port Charges

The GMB is empowered to levy and revise various charges under Sections 20, 22A, 37, 38, 39 of GMB Act, 1981 and Sections 33 and 35 of the Indian Ports Act 1908. Such levy and revision are subject to approval of the GoG under Section 41 of GMB Act. GMB prepares and submits the tariff proposals to GoG for their approval. The GoG notifies the Schedule of Port Charges (SoPC) through notifications.

Under the Port Policy, Private ports are free to fix their own tariff except Water Front Royalty (WFR). Further, Port dues are notified under the Indian Ports Act, 1908, which prescribes the upper limit within which the private ports are free to fix the port charges. WFR is the only charge payable by the developer of the private port to GoG. The developer pays WFR at concessional rate to GoG till the Approved Capital Cost (ACC) for development of the private port is recovered. After the recovery of ACC, the developer is required to pay WFR at the full rates notified in SoPC.

In GMB ports, there are captive jetties, private jetties and GMB jetties. They have to pay various charges to GMB/ GoG as per the SoPC. However, the captive jetty holders are given rebates in wharfage charges till their capital cost are set-off. Also, private jetty operators are subject to lower wharfage charges.

The current SoPC was notified in 2012 and was made effective from 20 July 2012. Earlier the SoPCs were revised in 1989, 1994, 1998, and 2003. The major charges levied as per 2012 SoPC are given in **Table 5**:

Table 5: Classification of Major charges levied under 2012 SoPC

Sl. No.	Type of charges	Applicable sections	Levied by	Main income head	Basis for charge	Remarks
Board Charges under the provisions of Indian Ports Act, 1908						
1	Board charges	Section 33 and 35 of Indian Ports Act, 1908	GMB or person/ body authorised on its behalf	1) Port dues 2) Pilotage charges 3) Towages	every entry for 30 days Each call Each call	Levied for entry into the port and specific service/ assistance for safe berthing
State and Board Charges under the provisions of GMB Act, 1981						
2	State charges (SC)	Section 20, 22A, 37, 38 and 39 of the GMB Act	GMB on behalf of the GoG	1) Wharfage charges[19] 2) Water front royalty[20] 3) Lighterage levy 4) Other license fees 5) Water front fees	Per MT Per MT Per MT Per annum Per annum	Mainly cargo and permission related charges
3	Board charges (BC)	Section 37, 38 and 39 of the GMB Act	GMB	1) Berth hire charges 2) Mooring fees 3) Anchorage dues 4) Permit fees 5) Rent	Per day and *per* Gross Registered Tonnage (GRT) Per Day Per month	Mainly vessel and service related charges

(**Source:** Information collected from the Government Resolutions/ Notifications of the GoG)

During the review in Audit (June 2013) of SoPC of 2012, the following were noticed:

2.7.1 *Revision of wharfage charges*

Audit observed that the wharfage charges for private jetties were reduced[21] by 11 to 67 *per cent* for different commodities and wharfage charges for GMB jetties were reduced by 8 to 69 *per cent* for which no justification was available on record. As a result, Audit could not do any impact analysis.

The Government stated (December 2013) that the reduction in wharfage rate was to maintain the position of GMB in the market. The reply was not acceptable as there was no justification available for reduction in rates even when the SoPC was revised after nine years and further no calculation existed to justify the reduction based on a peer comparison.

2.7.2 Non-levy of sand scooping charges on capital dredging

Sand scooping is an activity of excavating sediment from the sea bed. Since the port limits belong to GMB, the latter imposed sand scooping charges in

19 Wharfage charges are applicable to GMB jetty, Private Jetty and Captive jetty.
20 Water Front Royalty is applicable to private ports.
21 Except 40 feet empty container whose rates were increased by 3.45 *per cent.*

respect of sand scooped out of sea or river anywhere within the port limits. In 2003 SoPC, an amount of ₹ three *per* tonne was leviable, however, in the 2012 SoPC, the sand scooping charges were made inapplicable in respect of capital dredging[22]. Consequently, GMB would not be able to recover the same from the upcoming private ports and captive jetties which are doing capital dredging and reclaiming the land and using it at a token rent during the lease period. The income of GMB from sand scooping charges as billed (May 2004 and June 2010) on capital dredging in respect of two developers at Magdalla Port was ₹ 9.67 crore. The amendment had deprived the GMB of similar revenue in future.

The Government stated (December 2013) that there was no revenue loss to GMB as sand scooping charges had been included in the Shipbuilding Policy 2010 and the rates for the same were under finalisation. The reply was not acceptable as the Shipbuilding Policy, 2010 refers to the SoPC for the rates. Further, even if the rates are decided under the Ship Building Policy, it will apply to capital dredging done for shipbuilding only and not for capital dredging done for other purposes.

2.7.3 *Non-levy of detention charges*

Detention charges were levied on the vessels arriving late at berth beyond the scheduled time, which served as a deterrent. In the 2003 SoPC, there was a provision for levying of detention charges, which were removed in the 2012 SoPC without any justification.

The Government stated (December 2013) that the vessels were now guided by the vessel traffic management system (VTMS) and thus, there were few chances of delay in berthing. The reply was not acceptable as VTMS is only a navigational aid for traffic management and had no connection with levy of detention charges at berth.

The GoG may consider levy of detention charges to ensure berthing discipline.

2.7.4 Reduced water front royalty rates for upcoming ports

Water Front Royalty (WFR) was payable at the rates prescribed in 2003 SoPC till 19 July 2012. From 20 July 2012 (when the 2012 SoPC became applicable), WFR applicable for new upcoming ports was notified separately. Audit observed (June 2013) that, the WFR prescribed in 2012 SoPC for the new upcoming ports were below the WFR prescribed in 2003 SoPC except for Liquefied Natural Gas (LNG) cargo. The applicability of WFR for different categories was as under:

- For new upcoming ports – 2012 SoPC
- For existing ports- 2003 SoPC at escalated rates
- For ports where Letter of Indents (LoI) has been issued but the port is not yet operational – 2003 SoPC at base rate from the date of commencement

[22] It is different from maintenance dredging. It involves channel deepening and widening to accommodate larger vessels, with the aim of achieving larger economies of scale.

of cargo operation and the same will be escalated by 20 *per cent* after every three years.

Comparative rates of the WFR are given in **Table 6**:

Table 6: Comparative Water Front Royalty rates

(Amount in ₹)

Cargo	Unit (*per*)	Rate as per 2012 SoPC	Base rate of 2003 SoPC	Rate of 2003 SoPC escalated till July 2012
Solid	MT	25	30	62.20
Petrol, Oil and Lubricants (POL)	MT	48	60	124.40
Liquid other than POL	MT	32		
Crude	MT	16	36	74.65
LNG	MT	120	60	103.68
Container	TEU[23]	397	600	1,036.80
Cars	car	92	Rate of solid cargo was applied on *per* MT basis	

(**Source:** Information provided in the SoPC)

Thus, the revised WFR was made more favourable for the upcoming ports, which was not justified on record.

The Government stated (December 2013) that new ports were not entitled to set-off on the cost incurred by them while all existing ports were entitled to set-off. Hence, the royalty for new upcoming ports was kept on the lower side. The reply was not acceptable as the upcoming ports where LoIs have been issued are subject to the base rate of 2003 SoPC, which also is higher than the new rates of 2012 SoPC and in these ports, cost set-off was not available.

2.8 Operational efficiency of GMB ports

The details of traffic handled by various Jetties in GMB ports and the private ports during the period 2008-09 to 2012-13 is shown in the graph below:

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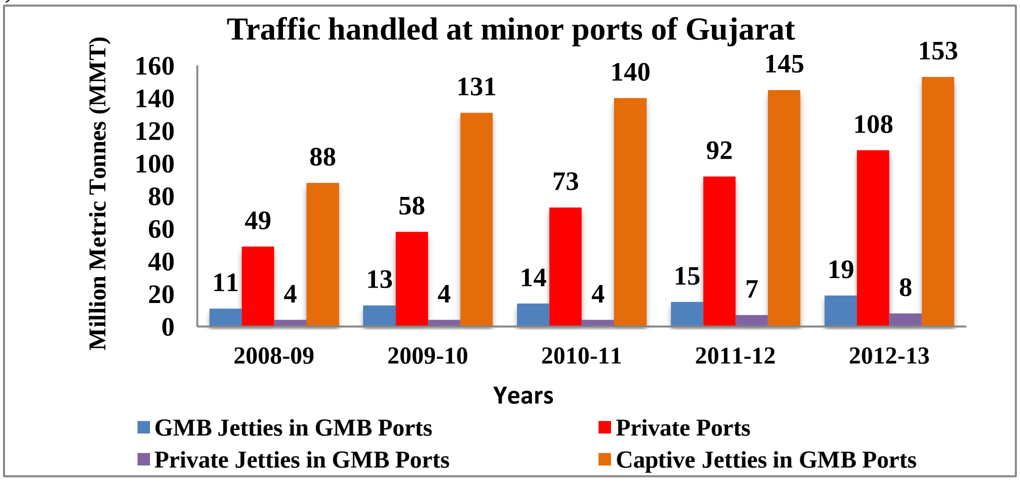

It can be seen from the above that the private ports and captive jetties handled majority of the port traffic of the State. The traffic handled by GMB jetties increased from 11 MMT to 19 MMT during the period 2008-13 but was only 6.60 *per cent* of total traffic handled in 2012-13. The details of various types

23 Twenty feet equivalent units.

of jetties in cargo handling minor ports of Gujarat are given in the **Appendix-III**.

Audit reviewed the operation of 22 GMB jetties in eight cargo handling GMB ports based on records available at the head office of GMB. Of the remaining four ports, one port had two GMB jetties, which were not included in the analysis as the handling capacity of jetties was not available. The other three ports had only private and captive jetties. The efficiency of the GMB jetties during the review period is given in **Table 7**:

Table 7: Utilisation efficiency of GMB Jetties

Sl. No.	Name of the Port	Number of Jetties	Cargo handling Capacity	Actual cargo handled	Utilisation (*per cent*)
			Million Metric Tonne (MMT)		
1	Magdalla	2	7.35	16.08	218.70
2	Bedi	3	9.55	6.99	73.19
3	Porbandar	2	18.10	5.48	30.28
4	Navlakhi	1	21.15	11.07	52.34
5	Bhavnagar	2	9.15	2.50	27.32
6	Veraval	5	10.85	0.28	2.58
7	Okha	6	19.80	7.32	36.97
8	Mandvi	1	1.60	0.65	40.63
Total		**22**	**97.55**	**50.37**[24]	**51.64**

(**Source:** Information provided in the final report prepared for proposing the 2012 SoPC for cargo handling capacity and MIS of GMB for actual cargo handled)

Audit observed that the GMB operated jetties handled cargo of 50.37 MMT during review period, which was 51.64 *per cent* of its total cargo handling capacity during that period. The utilisation of GMB jetties had huge variation and it varied from 2.58 *per cent* at Veraval to 218.70 *per cent* at Magdalla. The commercial utilisation at Porbandar and Veraval was low due to heavy utilisation by the Indian Navy and Fishermen Boats. The percentage utilisation at the ports of Magdalla, Bedi and Navlakhi were above the average utilisation percentage whereas all other ports showed utilisation below the average.

The Government stated (December 2013) that reasons for variation in operational efficiency was due to locational advantage, connectivity of the port and industries around the port.

Project implementation by GMB

GMB did not develop any new port during the review period but had been incurring expenditure in providing infrastructure facilities at its ports. Audit reviewed 48 out of 214 contracts awarded by the GMB during 2008-09 to 2012- 13 relating to civil works, mechanical and other miscellaneous items. Major Audit observations relating to the review of these contracts are discussed below:

[24] The above does not include traffic handled at the Ship recycling yard.

2.9 Not invoking of contract provisions against the defaulting contractors

GMB entered into agreements for purchase of vessels. The provisions of the agreements entered into with the contractors for the purchase empowered the GMB to cancel the contract and get back the amount paid with interest at 14 *per cent* in case the contractors default in supply. Further, GMB could purchase the vessel at the risk and cost of the defaulting contractors. Audit observed that in the following instances GMB did not invoke the above provisions against the defaulting contractors.

2.9.1 Purchase of tug

GMB entered (October 2003) into an agreement with NMPL[25] for purchase of a tug costing ₹ 1.59 crore with stipulated delivery period of 14 months (19 December 2004). The tug was to be used for inspecting the ships arriving at its Alang and Sosiya Recycling Yard (ASRY) for demolition. Even after lapse of more than nine years from the scheduled delivery date, the tug was not delivered (September 2013). This led to blocking of ₹ 1.14 crore and consequential interest loss of ₹ 96.86 lakh at the rate of 14 *per cent* from January 2005 to July 2013.

The Government stated (December 2013) that filing a civil suit against NMPL would have involved considerable time and cost, hence, it was decided to pursue with the party for delivery and resultantly the tug was likely to be delivered in the current year. The reply was not acceptable as the tug service could not be provided since December 2004 and had the tug service been required, the matter would have been pursued eight years ago. The inaction led to blocking up of funds and potential revenue loss.

2.9.2 Purchase of hovercraft

GMB entered (17 November 2008) into an agreement with M/s. SHM Ship care (SHM) for purchase of a hovercraft[26] at a cost of ₹ 6.30 crore for operating passengers services between the two tourist destinations *viz.*, Madhavpur and Porbandar. The same was to be delivered by July 2009. Frequent extension of time was sought by SHM and GMB extended delivery period up to January 2011. GMB released payments of ₹ 3.89 crore in instalments after retaining ₹ 52 lakh towards Security Deposit, Liquidated Damages and Retention money up to July 2012. However, the delivery of hovercraft was awaited (June 2013). The non-delivery of hovercraft for a period of 57 months since the placement of order led to blocking the fund of ₹ 3.89 crore and consequential interest loss of ₹ 1.14 crore at the rate of 14 *per cent* from June 2010 to July 2013.

Audit observed (June 2013) that the GMB did not invoke the provisions of the agreement against the defaulting contractor and consequently blocked funds of ₹ 3.89 crore without achieving the objective for which the purchase was

[25] Neptune Marine Private Limited, Mumbai.
[26] Hovercraft is a vehicle or craft that travels over land or water on a cushion of air provided by a downward blast.

proposed. The Government stated (December 2013) that GMB with the apprehension to complete the work had not terminated the agreement and that the hovercraft was expected to be delivered soon.

The Government may fix an exact date for delivery of hovercraft to GMB so that the matter is not further delayed.

2.9.3 Additional financial burden due to incorrect estimation of cost of work

The Navy and GMB, entered (1 May 2006) into an Expression of Interest for construction of a 200 metre dual purpose jetty adjacent to the existing 150 metre GMB jetty for use of naval and commercial vessels with an agreement to share all expenses and future escalations equally. The agreement entered (January 2011) between GMB and Navy estimated the cost of construction as ₹ 50.28 crore and froze the Navy's share at ₹ 25.14 crore.

Audit observed (June 2013) that GMB had already called for the bids for the above work on 11 August 2010 and the lowest quoted cost for construction work was available with GMB in December 2010 before it entered into the agreement with Navy in January 2011. Had the quoted cost of lowest bidder and other related works totalling to ₹ 67.37 crore been considered, then the Navy's share would have been ₹ 33.69 crore. The non-adoption of the correct rate and erroneous calculation of sharable total estimated cost led to incurring of avoidable expenditure of ₹ 8.55 crore by GMB.

The Government stated (December 2013) that GMB had decided to freeze the cost for Indian Navy as GMB would be able to use the jetty for commercial cargo when it was not being used by naval vessels. The reply was not acceptable as the MOU envisaged sharing of all costs and escalations and no freezing of costs was envisaged.

2.9.4 Injudicious rejection of tender–Avoidable expenditure

GMB decided (21 October 2003) to replace the two Dumb Hopper Barges[27] (DHBs), in the Dredgers used at Bedi and Mandvi Ports, at an estimated total cost of ₹ 7.37 crore. The tenders were invited (16 September 2004) and the lowest bidder quoted ₹ 7.42 crore for two Self Propelled Hopper Barges (Barges). GMB rejected (July 2006) the offer on the plea that the bidder did not agree to reduce the quoted cost.

The GMB re-invited (September 2006) the tender and the lowest bidder quoted ₹ 8.34 crore for two Barges. As no Tender Approval Committee (TAC) meeting of GMB was held between October 2006 and April 2008, the tenders were not finalised within the validity period of 120 days from the date of opening of bid *i.e.*, 6 August 2007. The tender was invited for a third time and the work was awarded (24 August 2012) at ₹ 12.70 crore (each Barge at ₹ 6.35 crore) with the stipulated delivery period of 14 months.

[27] A Dredger has two Hopper Barges, which has to be towed by other Boat to carry the mud/material recovered in the dredging process for dumping it into mid sea.

The rejection of the initial offer based on the reason adduced, which was flimsy and delay in holding the TAC meeting for the second tender invited led to an avoidable expenditure of ₹ 5.28 crore (₹ 12.70 crore *less* ₹ 7.42 crore).

The Government stated (December 2013) that the initial offer was rejected as it was above the amount put to tender and that the final offer was very economical. The delay of eight years in placing an order for the two barges led to a loss of ₹ 5.28 crore to GMB, which proves that the whole process was not economical.

2.10 Development in the port sector through Private Participation

In 1991, Government of India (GoI) initiated various economic, trade and industrial reforms through the policy of liberalisation. As a first step in the process of liberalisation in port sector, GMB, with the approval of GoG had entered (7 February 1992) into a Memorandum of Understanding (MoU) with Gujarat Pipavav Port Limited (GPPL) (a Joint Sector Company) for the development of Pipavav Port. In addition, the GoG notified (20 December 1993) concessional wharfage rate for captive jetty[28] constructed by the industry at their own cost.

The GoG declared (December 1995) a Port Policy to expedite the creation of port facilities with the participation of private enterprises in the development of port infrastructure. The main strategies of the Port Policy were:

- Private investment in the existing minor ports through privatisation of incomplete wharf, jetty, quay of GMB and private construction of new wharfs and jetties (hereinafter called private jetty) in selected sites for a period of five years till new ports become operational;

- Development of 10 new port sites on Build, Operate, Maintain and Transfer (BOMT) basis; of which four[29] were to be developed under joint sector and six[30] through exclusive investment by private sector. In respect of ports developed by private sector (hereafter called private ports)[31] only WFR will be decided in the SoPC approved by GoG whereas the port developer was free to charge any other service charges;

- To make the new port projects as mentioned above financially viable, all industrial units would be encouraged to make use of new port facilities being set-up and permission for captive jetties would be given only in exceptional cases;

- Privatisation of services was to be done in specific areas like lighterage, dredging, pilotage, tug towing service, *etc.*;

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[28] Jetties constructed by the licensee or industries at their own cost for their captive use wherein GMB/ GoG grants them rebates in the wharfage charges till their capital cost is set-off.

[29] Rozi (Bedi), Positra, Dahej and Mundra.

[30] Simar, Mithiwirdi, Dholera, Hazira, Vansi-Borsi and Maroli.

[31] Private ports are ports where declared port limits are handed over to a private party for development under concession agreement for a specified period, which enables the concessionaire to recover its cost of development as a set-off from the water front royalty payable to GoG.

- Development of port based industrial estates and infrastructure development for efficient handling of cargo movement; and
- Development of coastal shipping like Ro-Ro service and hovercraft services.

To provide guidelines for investment analysis and capital recovery for the private port projects under the Port Policy, the GoG declared (29 July 1997) the Build, Own, Operate and Transfer (BOOT) Principles.

Prior to declaration of Port Policy (December 1995) the GMB had already entered into 15 captive Jetty Agreements (CJAs). Audit observed (June 2013) that though the Port Policy discouraged the development of captive jetties, GMB had entered into nine more CJAs after declaration of Port Policy. Further, though Port Policy envisaged private jetties as an interim arrangement till new ports became operational, it was observed that 16 agreements for private jetties were entered for periods ranging from five to 25 years between May 1995 and April 2011. It was also noticed that as against the 10 ports to be developed with joint/ private sector under the Port Policy, three ports[32] were developed up to March 2013. It was further observed that the Port Policy did not envisage any time limit for development of private ports.

In addition to the above, a Port at Pipavav was envisaged in 1992 for development as a joint sector port. Subsequently, State Government disinvested its share in Pipavav Port in June 1998 and it became a private port.

Audit reviewed the captive jetty agreements, license agreements for private jetties and the concession agreements for development of private ports. The observations relating to these are discussed hereunder.

2.11 Captive jetties for industries

Captive jetties/ wharfs are constructed by the licensee/ industry at their own cost for their captive use and are granted rebates in wharfage charges by GMB/ GoG till their capital cost is set-off. In December 1993, the GoG for the first time declared concessional wharfage charges for captive jetties till the cost of construction was set-off or till 25 years whichever was earlier. In continuation thereof, GoG prescribed (May 1999) the terms and conditions related to CJAs, which were adopted by GMB in 21 CJAs that it had entered into till April 2011. As discussed earlier, the Port Policy envisaged that the permission for new captive jetties would be given in exceptional cases only. GMB entered into nine CJAs after 1995. As per the terms of CJA, the GMB allowed rebate on the wharfage charges declared in the SoPC for setting off the capital cost of construction (CCoC) of the licensee. The CCoC consisted of the following components:

- the actual cost of construction (including pre-operative expenses);

[32] Dahej, Mundra and Hazira.

- interest on actual cost of construction at the rate of 12 *per cent per annum* for the construction period;

- maintenance cost at the flat rate of five *per cent per annum* on actual construction cost for a period of five years (maximum 25 *per cent*) to be claimed within first 10 years from the date of issue of completion certificate;

The above components of CCoC other than interest were to be computed based on books of accounts of the licensee.

A procedure had been framed for verification and certification of the CCoC after completion of the construction and submission of the cost details by the licensee. A technical team of the GMB verified the construction with approved drawings and submitted its report to the Captive Jetty Cost Verification Committee (CJCVC). Based on the technical report, a Chartered Accountant (CA) appointed by the GMB verified the actual cost of construction with vouchers, books of accounts of licensee, and submitted a consolidated report to CJCVC of the acceptable actual cost of construction.

The CJCVC after getting the approval of the licensee for the finalised cost, added the interest during construction at the prescribed rates and forwarded this verified cost to the GMB. The CCoC could be increased by maintenance cost to the extent of 25 *per cent* of actual cost of construction *i.e.*, maximum five *per cent* of the actual cost for any five years; if the licensee claimed maintenance cost with vouchers within ten years of construction and the same was approved by the CJCVC. In cases where finalisation of CCoC was delayed, CJCVC added the maintenance cost while finalising the cost at their level itself.

As per the CJA, the following rebates were allowed from the wharfage charges declared in the SoPC until the CCoC was set-off:

- Rebate of 80 *per cent* on the wharfage charges specified in the SoPC.

- Additional rebate of 25 *per cent* for transportation between two ports of GMB or 15 *per cent* for transportation to and from any Indian port.

- If captive Single Buoy Mooring[33] (SBM) facilities were constructed by the captive jetty owner for the movement of liquid cargo, additional concession of 50 *per cent* of the wharfage rate for cargo specified in SoPC.

The above rebate and concession allowed as per the terms and conditions prescribed in May 1999 were discontinued in January 2010. This discontinuance was to be effective for new captive jetties commissioned after 31 March 2012. The GMB entered into three CJAs after the rebate and concession were discontinued. The observations relating to 24 CJAs are discussed below:

[33] Single Buoy Mooring is an equipment that has been put in the sea for handling the liquid/ gas cargo from large vessels that require more draft for berthing.

2.11.1 Delay in captive jetty cost verification

The status of cost verification of CJAs as on 31 March 2013, wherein cost set-off was available is given in **Table 8**:

Table 8: Cost verification status of Captive Jetties

No. of CJAs	Status of cost verification work (as on 31 March 2013)
9	GMB had approved the capital cost of construction.
3	Technical verification was in progress.
6	Cost verification was in progress.
3	Captive jetty owners had not furnished the required information.

The details of the CJAs are given in **Appendix-IV**. In eight CJAs[34] out of 12 CJAs where the CCoC had not been finalised, more than 10 years had lapsed since operation of jetties by the licensees. Audit is of the view that this may lead to inadvertent grant of concession in wharfage charges to licensee over and above the CCoC.

The Government stated (December 2013) that the delay occurred because the cost verification was a very detailed process, which was carried out in house along with the routine work of GMB. However, the delay had not put GMB to any loss. The reply was not acceptable as any technical and cost verification to be effective and meaningful should be done within a reasonable period and the verification may thus be completed at the earliest.

2.11.2 Approval of maintenance cost without verification of vouchers

As per clause 24 of the CJAs, the licensee was entitled to claim maintenance cost at the flat rate of five *per cent per annum* on the actual cost of construction for a maximum period of five years. For this, the licensee had to submit authenticated details of actual maintenance cost duly supported by books of accounts/ vouchers for approval of the CJCVC within 10 years of the completion of the jetty. Even where the maintenance cost was considered by CJCVC while finalising the CCoC at the initial stage, it had to be claimed by the licensee within ten years from the date of completion of jetty and supported by the vouchers.

Audit observed that in the nine CJAs wherein CCoC had been finalised, total maintenance cost of ₹ 108.87 crore had been added at a flat rate of 25 *per cent* (five *per cent* × five years) on the actual cost of construction *plus* interest by the CJCVC while finalising the CCoC. The maintenance cost should not have been included in the CCoC of the above nine CJAs as they had neither been claimed by the licensee within 10 years nor vouchers been submitted for the same. Thus, GMB had allowed an undue benefit of ₹ 108.87 crore to these captive jetty owners which needs to be recovered.

The Government stated (December 2013) that as per the CJA, eligible cost shall include maintenance cost at a flat rate of five *per cent per annum* for a period of five years. As per a legal opinion taken by them in this regard, in

[34] L&T Ro-Ro, Essar LPG, RIL- Ethylene, RIL- EDC cum Ro-Ro and RIL- Second gas jetty, RPTL 4 Tanker berths, RIL-SBM 1 and 2 and Sanghi Industries Limited.

view of the word flat rate mentioned in the CJA, evidence of maintenance cost will not have any relevance. The reply was not acceptable as the word flat rate cannot be read in isolation but has to be read with other provisions in the same clause wherein it is clearly mentioned that maintenance expenditure has to be claimed by the captive jetty owner and supported by books of accounts within 10 years of date of completion of jetty.

2.11.3 Additional capital cost allowed to Reliance Petroleum Limited

GMB entered (28 July 1999) into a CJA with Reliance Petroleum Limited (RPL) for construction and use of two SBMs for its captive consumption at Port Sikka. The construction of SBMs were completed and loading/ unloading of petroleum cargo commenced from 10 September 1999. After requests by GMB/ GoG, RPL submitted (20 July 2005) the detailed records of the cost of ₹ 313.59 crore. However, it did not include voucher details of ₹ 43.47 crore.

As RPL had already availed rebate of ₹ 311.80 crore until June 2009, GMB directed (27 July 2009) its Chartered Accountant to expedite the cost finalisation process and its submission to CJCVC. Meanwhile, RPL lodged another claim (10 June 2010) for inclusion of a further amount of ₹ 138.92 crore in the CCoC being ₹ 48.42 crore towards interest and ₹ 90.50 crore towards maintenance cost. The capital cost claimed by RPL thereby increased to ₹ 452.51 crore. As the cost finalisation was still pending (19 March 2012), GMB commenced recovery of wharfage charges at the rate of ₹ 18 *per* MT from RPL as it had availed rebate of ₹ 437.88 crore until February 2012. The reports of the Chartered Accountant and the CJCVC were pending (July 2013).

Audit observed that:

- GMB has not finalised the cost even after eight years (June 2013) though cost break-up had been submitted by RPL in July 2005.

- Since the maintenance cost was claimed by RPL after expiry of 10 years from 5 October 1999, the same was not allowed as per CJA.

- The recovery of full wharfage charges of ₹ 36 *per* MT should have started when aggregate rebate had become equal to the CCoC of ₹ 362.01 crore *i.e.*, actual cost of construction of ₹ 313.59 crore *plus* interest of ₹ 48.42 crore.

- As discussed in the **Paragraph 2.11**, under the CJA, a rebate of 50 *per cent* of the wharfage charges was allowed for SBM. Also, a further rebate of 80 *per cent* on the balance wharfage was allowed.

- For the purpose of set-off, aggregate of both the rebates should have been considered. However, GMB considered only the 80 *per cent* rebate for set-off against the CCoC as depicted in the **Table 9**:

Table 9: Rebate considered against CCoC for RPL

Sl. No.	Particulars	10 September 1999 to 18 March 2003	19 March 2003 to 19 July 2012	20 July 2012 to till Date
1	Applicable SoPC (Year of Notification)	1998	2003	From 20 July 2012 GMB was charging the wharfage charges of ₹ 18 *per* MT which was the rate as per the 2012 SoPC where set-off has been completed.
2	Wharfage Rate as per SoPC (₹ *per* MT)	12	36	
3	50 *per cent* rebate (₹ *per* MT)	6	18	
4	80 *per cent* rebate (₹ *per* MT) (80 *per cent* of 2 -3 above)	4.80	14.40	
5	Wharfage rate actually paid {2-(3+4)}	1.20	3.60	
6	Set-off as worked out by Audit (₹ *per* MT) (2-5)	10.80	32.40	
7	Set-off as per GMB (₹ *per* MT) (4)	4.80	14.40	
8	Wharfage rate after cost is set-off (₹ *per* MT)	12	36	

- GMB instead of recovering full wharfage rate of ₹ 36 *per* MT from 29 January 2006 when allowable cost of construction of ₹ 362.01 crore was set-off, continued to allow set-off for ₹ 440.24 crore until 19 March 2012. It then started recovering wharfage of ₹ 18 *per* MT instead of ₹ 36 *per* MT as it continued to give the 50 *per cent* rebate for SBMs even after capital cost recovery. The details of erroneous calculation made by GMB in determining the full wharfage and the set-off level are given in **Table 10**:

Table 10: Erroneous calculation in determining full wharfage

Sl. No.	Particulars	Cargo handled in MMT	Amount	
			₹ *per* MT	(₹ in crore)
Set-off calculated by GMB				
1	10 September 1999 to 18 March 2003	103.397	4.80	49.63
2	19 March 2003 to 19 March 2012	271.257	14.40	390.61
	Total set-off allowed	**374.654**		**440.24**
Set-off worked out in Audit				
3	10 September 1999 to 18 March 2003	103.397	10.80	111.67
4	19 March 2003 to 29 January 2006	77.265	32.40	250.34
	Total Set-off to be allowed	**180.662**		**362.01**
Short recovery of Wharfage as worked out in Audit				
5	30 January 2006 to 19 March 2012	193.992	32.40 (₹ 36 *less* ₹ 3.60)	628.53
6	20 March 2012 to 20 July 2012	11.535	18 (₹ 36 *less* ₹ 18)	20.76
Total short recovery		**205.527**		**649.29**

Thus, the above led to short recovery of wharfage charges of ₹ 649.29 crore and undue favour to RPL.

The Government stated (December 2013) that set-off had been calculated based on the leviable wharfage rate and not based on the gross wharfage rate. It was further stated that since the capital cost of RIL had not been finalised, the SBM rebate of 50 *per cent* had been continued even after the 80 *per cent* rebate had been stopped. The reply was not acceptable as the SoPC prescribed only one wharfage rate and did not differentiate between leviable and gross wharfage rates. It may be further added that the rebates of 50 *per cent* and

80 *per* cent, as per the CJA, were for setting off the capital cost incurred by the captive jetty owner and therefore the set-off could not be restricted to only one of them. Consequently, none of the rebates could continue after the cost had been set-off just because the cost finalisation was pending. The amount of ₹ 649.29 crore needs to be recovered.

2.12 Private Jetty Agreements

As per the Port Policy, it was decided to invite private investment in existing minor ports till new private ports became operational. As per general guidelines for privatisation, either the incomplete works of wharf/ jetty/ quay of GMB were to be privatised or the private entrepreneurs were to be allowed to construct new wharves/ jetties at selected sites. The entrepreneurs had to assure a minimum cargo handling during the license period granted by the GMB. The SoPC prescribed reduced wharfage rates for private jetties though other charges were payable at normal rates. The privatisation of these facilities was to be done by inviting open bids.

GMB entered into 16 License Agreements (LAs) between May 1995 and December 2011 for operation of private jetties as detailed in **Appendix-V**. Audit observed that out of the 16 LAs, in respect of seven LAs (Sl. No.1 to 5 and 7 and 8) no tenders were invited. They were entered into based on MoUs with GoG or offers received from private parties, which was in violation of Port Policy. Thus, the opportunity of competitive bidding was lost.

The observations in respect of these are discussed below:

2.12.1 Non-stipulation of minimum wharfage

Out of the 16 LAs, minimum cargo handling was stipulated in 15 LAs, but in the LA with Jaydeep Associates Limited (JAL) was neither minimum cargo nor minimum wharfage stipulated. Audit observed (June 2013) that JAL did not handle any cargo during 2009-10 and GMB in the absence of any provision in the agreement GMB could not recover any penalty for the same.

In five LAs referred at Sl. No. 1,3,4,7 and 10 of the **Appendix-V,** minimum wharfage was also stipulated over and above minimum cargo. However, in 10 LAs only minimum cargo was stipulated.

The Government stated (December 2013) that JAL was allotted a damaged wharf on ‘as is where is basis’ and minimum cargo was not stipulated. Further, it was stated that GMB has been earning wharfage on it. The reply was not acceptable as the Port Policy envisaged incurring of capital expenditure by private parties either for new or incomplete jetties and the minimum cargo was stipulated in all other LAs. Therefore, the waiver of stipulating minimum cargo in the LA with JAL was not correct.

2.12.2 Inclusion of defective minimum wharfage clause

GMB entered (1 December 2005) into LA with Welspun Gujarat Stahl Rohren Limited (WGSL) for use of the existing GMB wharf at Dahej Port for handling iron pipes and plates. In the LA, WGSL assured handling a minimum cargo quantity (MCQ) of one lakh metric ton (MT) *per annum* without any cargo type specification. If during a year, there was a shortfall in the quantity of cargo handled, the minimum wharfage would be recovered for the shortfall quantity based on the average wharfage rate of the commodities handled during the respective financial year or part thereof. However, if no cargo was handled, the minimum wharfage payable will be calculated on the MCQ based on the wharfage rate applicable to iron pipes and plates of ₹ 58 *p*er MT. A minimum wharfage amount independent of quantity was not specified in the LA.

WGSL consigned (10 April 2009) seven MT of Salt from Gogha (Bhavnagar) Port to itself at Dahej Port. The wharfage rate for Salt (after considering coastal rebate) was ₹ 5.25 *per* MT. As there was, a shortage of 99,993 MTs against the MCQ stipulated during 2009-10, GMB recovered the penalty of ₹ 5.25 lakh[35].

Audit observed (June 2013) that neither the minimum wharfage amount was fixed based on the rate of ₹ 58 *per* MT applicable for iron pipes and plates nor the type of cargo specified as iron pipes and plates. Instead, the LA prescribed recovery of shortfall in the quantity of cargo based on average wharfage rate of salt which was the commodity actually transported. Thus, due to non-stipulation of minimum wharfage amount in LA, the WGSL avoided payment of the penalty of ₹ 52.75 lakh (₹ 58 *per* MT × 99,993 MT).

The Government stated (December 2013) that the issue would be suitably addressed to prevent loss of assured revenue.

2.12.3 Non-recovery of minimum wharfage

As per the provisions of the LA, GMB could terminate the LA and take over the possession of jetty in case of default in the payment of dues by the licensee. However, due to non initiation of timely action, arrears of minimum wharfage of ₹ 8.25 crore remained unrecovered (March 2013) as given in **Table 11**:

Table-11: Arrears of minimum wharfage

Sl. No.	Name of the Party	Year of shortfall	Wharfage amount due for shortfall (in ₹)	Amount of BG to be taken at the beginning of the year	Remarks
1	Saurashtra Cement Limited	2010-11	20,89,673[36]	At least BG of ₹ 50 lakh	
2	Welspun Gujarat Stalh Rohren Limited *(licence period was over in June 2011)*	2008-09	16,60,056	At least BG of ₹ 50 lakh	
		2009-10	5,24,963		
		2010-11	46,40,000		
3	Ashapura International Limited[37] (*terminated on 22 February 2013*)	2008-09	70,00,000	BG of ₹ 70 lakh at the beginning of each year which was	In 2012-13 the amount is due for period till
		2009-10	70,00,000		
		2010-11	70,00,000		

35 At the wharfage rate of ₹ 5.25 × 99,993 MT.

36 The minimum wharfage amount is calculated at the weighted average rate of cargo handled in the previous year that is applied on the minimum guaranteed cargo.

37 The matter is sub-judice as GMB has filed civil suit in Honorable City Civil Court.

Sl. No.	Name of the Party	Year of shortfall	Wharfage amount due for shortfall (in ₹)	Amount of BG to be taken at the beginning of the year	Remarks
		2011-12	70,00,000	the minimum wharfage charges guaranteed	4 December 2012
		2012-13	47,43,378		
4	Shantilal and Company	2010-11	39,00,418	No BG was stipulated	
		2011-12	49,23,365		
5	Continental Warehousing Corporation Limited[37] *(terminated on 7 March 2012)*	2006-07	15,38,322	No BG was stipulated	
		2007-11	1,83,42,500		
6	J. M. Baxi and Company	2010-11	21,56,734[36]	No BG was stipulated	
7	Ruchi Infrastructure Limited	2004-05	60,37,840[36]	No BG was stipulated	
		2009-10	39,62,391[36]		
Total outstanding			**8,25,19,640**		

(**Source:** Information collected from GMB)

Further, as seen from the above table, in respect of four cases (Sl. No. 4 to 7 of the **Table 11**) no bank guarantee (BG) was stipulated in the LAs. In three LAs (Sl. No. 1 to 3 of the **Table 11**) though BG was stipulated in the LAs, there was nothing on record (June 2013) to indicate the availability of BG, if any, taken from the parties by GMB. Thus, non-initiation of timely action as per terms of LA and due to non-availability of BG in the above cases, the possibility for recovery of the dues was remote. Even though Audit had earlier reported[38] the recovery in respect of Continental Warehousing Corporation Limited, the amount was not recovered (September 2013).

The Government stated (December 2013) that the LAs at Sl. No. 4 to 7 of the **Table 11** were as per terms and conditions submitted and approved by the Honourable High Court of Gujarat, wherein no condition of BG was stipulated. It was further stated that GMB had formulated a committee of the senior officials (of GMB) to examine such type of issues.

2.12.4 Non-recovery of additional charges for exclusive use of jetty

Narmada Cement Company Limited (NCCL) entered (8 February 1979) into a land lease agreement (LLA) for a period of 30 years with GoG for a five acre plot of 22,360 square metre (sqm)[39] to set up a cement grinding plant at Magdalla Port, adjacent to the GMB 1 jetty (210.30 metres). The lease rent was ₹ three *per* ten sqm *per annum* (1979) subject to further revision every five years. NCCL was amalgamated (1 October 2005) with Ultra Tech Cement Limited (UTCL) and the lease, rights were continued in the name of UTCL.

In the year 1982, GMB constructed a new jetty, GMB 2 (143.53 metre length) adjacent to the existing jetty near the leased land. The Port Officer informed (20 December 1982) GMB that NCCL had installed conveyor on the three sides of GMB 2 jetty and fitted a rail track for movement of unloader on the

[38] **Paragraph No. 2.2.5.1** of the C&AG's Audit Report (Civil) for the year ended 31 March 2011, Government of Gujarat.

[39] GMB for its requirement took back (15 May 1987) 3,730 *sqm* land from NCCL.

length of GMB 2 jetty. As a result, the GMB 2 jetty could be accessed only through the NCCL yard as access from the existing GMB 1 jetty had been blocked. As such, cargo other than that meant for NCCL could not be handled in GMB 2 jetty. Thus, GMB 2 jetty was exclusively used only by UTCL. The Port Officer thus suggested (20 December 1982) for recovering jetty rent in addition to berth hire charges for such exclusive usage. However, GMB had not taken any decision yet (December 2013) and exclusive usage of the GMB 2 jetty by UTCL was being continued.

GMB 2 Jetty showing permanent installations resulting in exclusive usage

Audit observed that considering the exclusive use of GMB 2 jetty by UTCL and the expiration of the lease agreement in January 2008 of GMB 1 Jetty, GMB should have fixed a minimum guaranteed cargo of 1.304 MMT[40] *per annum* based on the length of jetty as per the practice in vogue for private jetty. If this was done, GMB could have avoided loss of ₹ 7.48 crore[41] towards wharfage and ₹ 1.42 crore[42] towards port dues, berth hire charges, *etc.*, during the period 2008-09 to 2012-13. Further, even though the LLA expired on 21 January 2008, the same was still to be renewed (December 2013).

GMB continued to recover lease rent as per terms of the expired LLA instead of recovering the rent as specified in prevailing SoPC. This led to loss of rental income of ₹ 35.55 lakh (₹ 25.09 lakh[43] *plus* ₹ 10.46 lakh[44]).

The Government stated (December 2013) that the decision on lease rent or renewal of lease was under consideration and once it was finalised it would be

[40] Being the proportionate cargo for 143.5 metre GMB 2 jetty based on the average cargo of 1.908 MMT handled during 2005-08 on 210 metre GMB 1 jetty.

[41] Being the difference of minimum wharfage payable on minimum guaranteed cargo at the SoPC rates applicable to private jetty and actual wharfage paid on actual cargo handled at the rates applicable to GMB jetty.

[42] Being the average *per* MT rate of other charges paid by GMB 2 jetty applied to the shortage quantity against the minimum quantity of guaranteed cargo.

[43] Being the difference of ₹ 300 *per* ten *sqm per annum* rate for industrial and commercial purpose *less* ₹ 30.65 *per* ten *sqm per annum* × land leased of 18,630 *sqm* × 5 years period after expiry of lease (22 January 2008 until 21 January 2013) as rent is recovered in advance for the next year.

[44] Being the difference of ₹ 600 *per* ten *sqm per annum* rate for industrial and commercial purpose *less* ₹ 38.35 *per* ten *sqm per annum* × land leased of 18,630 *sqm* × 1 year period after expiry of lease (22 January 2013 until 21 January 2014) as rent is recovered in advance for the next year.

applied from the date of renewal of lease. The reply was not acceptable as the decision on lease rent was still pending and the issue of exclusive use of GMB jetty by NCCL (UTCL) had not been addressed.

Development of private ports

The GoG declared a Port Policy in 1995 regarding privatisation of ports. The salient features of the same are discussed in **Paragraph 2.10**. The MoU for development of Pipavav Port was entered into prior to the declaration of the Port Policy and the concession agreement was entered (30 September 1998) as per the BOOT Principles, which came into effect from July 1997. The Pipavav Port was initially envisaged to be developed under joint sector but it was later privatised through disinvestment (18 June 1998) prior to the concession agreement.

Under the Port Policy, the Mundra and Dahej Ports were to be developed as Joint sector ports. However, Mundra Port was later privatised by disinvestment (March 2006). The remaining two ports of Bedi and Positra were yet to be developed (December 2013). Of the six ports to be developed as private ports in accordance with the Port Policy, only Hazira Port had been developed (April 2005). The remaining were at various stages of bidding as on December 2013. The concession and sub-concession agreements entered into in respect of the four ports, which have been developed under private sector, are given in **Table 12**:

Table 12: Concession agreements entered into

Name of Port	Name of main concessionaire	Name of sub-concessionaire
Pipavav	Gujarat Pipavav Port Private Limited (GPPL)	Nil
Mundra	Gujarat Adani Port Limited (GAPL)	Mundra International Container Terminal Private Limited
Dahej	1-Gujarat Chemical and Port Terminal Company Limited (GCPTCL)	Nil
	2-Petronet LNG Limited (PLL)	Adani Petronet (Dahej) Port Private Limited (APPPL)
Hazira	Hazira Port Private Limited (HPPL)	Adani Hazira Port Private Limited (AHPPL)

The guidelines for investment and recovery of capital cost for the private port projects under the Port Policy were declared (29 July 1997) by the GoG as the BOOT Principles. The salient features of the BOOT Principles were as under:

- GMB will identify the port location and lease the backup land to the developer.
- The BOOT period would generally be for 30 years.
- The developer had to get the DPR, Development Plan and Environment Impact Assessment study approved by the GMB.
- The GoG would permit sub-leasing/ sub-contracting of services at the responsibility of the developer.

- The developer will have flexibility in deciding and collecting all port related tariff except the GoG notified WFR.

- The developer would be allowed WFR payment at concessional rates until such time the total Approved Capital Cost (ACC) is set-off. Extension of concessional rates would be allowed for two major expansions.

- At the end of the BOOT period, the assets would be transferred to the GoG at the fair value of the assets.

Audit reviewed the CAs entered into in respect of the private ports and the development of Mundra Port. The observations in this regard are discussed hereunder:

2.13 Development of Mundra Port

The Mundra Port is the largest private port developed under the Port Policy. The GoG initially permitted (10 January 1994) the Adani Port Limited (APL) to build and operate a captive jetty at Mundra Port. The GoG accepted (24 September 1997) the proposal of APL for development of Mundra Port as a total port through a joint venture between APL and Gujarat Ports Infrastructure Development Company Limited (GPIDCL- a wholly owned GMB Company). The port limits of Mundra Port were declared (21 January 1998) by GoG under the Indian Ports Act, 1908. The CA was entered into between GAPL (promoted by APL and GPIDCL), the GoG and the GMB in February 2001. The CA superseded the permission for construction of jetty. Audit observations related to the development of this Port are discussed in succeeding paragraphs.

2.13.1 Concession agreement with GAPL for development of Mundra Port

As per the shareholders agreement (1998) GPIDCL was to hold 26 *per cent* stake in GAPL. It further provided that GPIDCL may dilute its equity capital up to 11 *per cent* after a period of three years from the date of commencement of commercial operation as defined in the CA. However, as per GoG order (September 2000), the proposed holding of GPIDCL was reduced from 26 to 11 *per cent*, which was in violation of the shareholders agreement because the CA had not been entered into till that date and as such GPIDCL's stake in GAPL was under lock-in.

A scheme of amalgamation between GAPL (Transferee Company) and APL (Transferor Company) was approved (November 2003/ January 2004) by the shareholders of the two companies wherein 95 shares of GAPL were to be given for every 100 shares of APL. The scheme was referred to the Honourable High Court of Gujarat for approval in accordance with the requirements of the Companies Act, 1956. Pending the approval of amalgamation by the Honourable High Court, GoG filed its objection to the proposed amalgamation, as it would reduce GPIDCL holding in GAPL to 8.55 *per cent*. With the reduction in shareholding of GAPL to 8.55 *per cent*, GPIDCL was to loose the right to appoint the Chairman on GAPL Board of Directors (BoD). However, GoG withdrew the objection following an agreement with GAPL (April 2005) and consequently, the Honourable High Court of Gujarat approved the amalgamation (21 April 2005).

As per the agreement of April 2005 between the GoG and GAPL, the shares of GAPL were to be valued by an independent valuer prior to and after amalgamation and based on the valuation GoG would decide whether to disinvest its holding in GAPL or to subscribe further shares so as to retain its holding at 11 *per cent*. The valuer appointed by GoG, valued (November 2005) the shares of GAPL at ₹ 101.30 *per* share pre-merger and at ₹ 110.60 *per* share post-merger as on 31 March 2004.

The GoG decided (24 March 2006) to disinvest its stake of 1.54 crore shares in GAPL at ₹ 110.60 *per* share. Accordingly, the GPIDCL transferred (March 2006) these shares to GoG which realised ₹ 197.79 crore (including interest at nine *per cent* for the period from 1 April 2004 to 14 January 2006) on the disinvestment. The development of Mundra Port which was envisaged as a joint sector port turned out to be a private sector port for which competitive bidding was not followed.

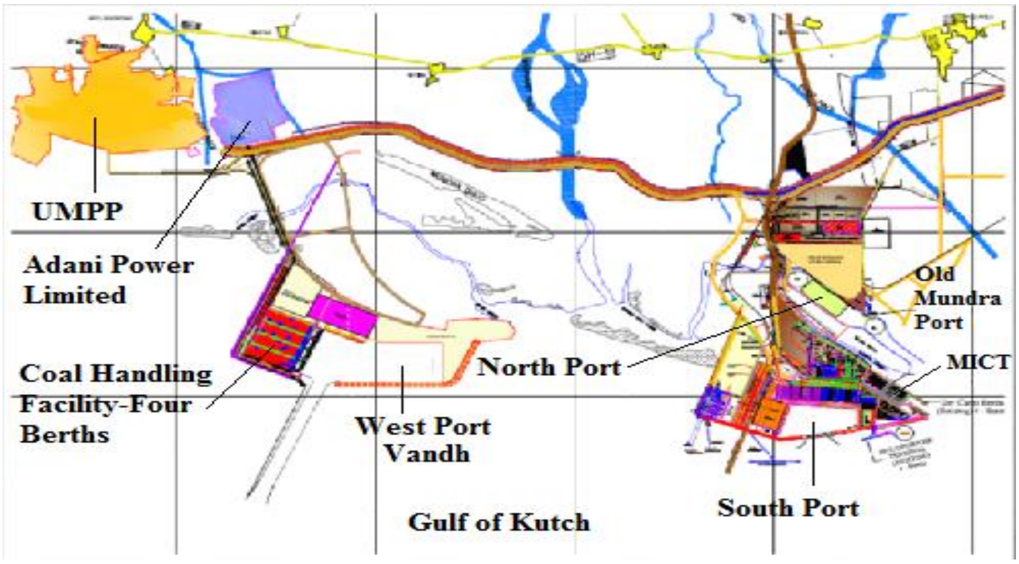
The development of Mundra Port was planned in two phases as given in **Table 13**:

Table 13: Development of Mundra Port as planned

Particulars of Phase	Details of Structures
Phase 1	815 metre quay wall, 1100 metre quay wall, One SBM
Phase 2	South Port, West Port (Vandh), North Port, Three SBMs

A map of the Mundra Port is given below:

Map of Mundra Port



2.13.2 Deficient lease and possession agreement

The GoG allotted (11 January 2000) 4,518.37 acres of land to GMB at the prevailing market rate for allotment to GAPL on lease basis under the BOOT Principles. It was stipulated in the allotment that GAPL would not sublease the land without prior permission of the GoG. The value of land was assessed

(23 March 2000) by the District Land Valuation Committee at ₹ 5.66 crore. As this value exceeded ₹ 50 lakh, the final cost of land was to be decided by the State Land Valuation Committee (SLVC). The GMB was to deposit the differential amount on final valuation to the GoG.

GMB handed over the possession of land (15 April 2000) to GAPL. GMB entered (28 September 2000) into lease and possession agreement (LPA) for lease of 3,404.37 acres land worth ₹ 4.76 crore (being proportionate value of total land) to GAPL with lease rent of ₹ 23.80 lakh[45] *per annum* to be escalated by 20 *per cent* after every three years. However, the LPA did not have any clause for recovering the additional lease rent from GAPL as and when the final cost of the leased land was decided by SLVC. Despite 13 years having elapsed the SLVC has not determined the cost of land (September 2013).

The Government stated (December 2013) that had the SLVC or collector instructed GMB to take necessary action, then GMB could have reviewed the LPA. The reply was not acceptable as no separate instruction in this regard was required because as GMB was to pay the increased valuation, as and when decided by SLVC, a suitable clause should have been inserted in the LPA by GMB to protect its own interest. In the absence of the same, GMB will not be able to recover the differential lease rental at five *per cent* of revised (enhanced) valuation.

2.13.3 Extension of port limit without supplementary concession agreement

As per the approved DPR for Phase 1, the work was to be carried out in two sub-phases *i.e.,* Phase 1A and Phase 1B. In Phase 1A a multipurpose terminal of 815 metre length having four berths were to be developed. In Phase 1B, a container terminal/ cargo terminal of 1100 metre length was to be developed along with a Crude Oil Terminal/ SBM for HPCL. The work was to be completed within three years from obtaining environment clearance (EC).

GoG had originally defined port limit (January 1998) and GAPL had completed construction of the multipurpose terminal under Phase 1A prior to entering into CA (February 2001). In the meanwhile, GAPL further requested (13 January 2000) the GoG for extension in port limit for constructing HPCL SBM in Phase 1B and the three SBMs under Phase 2. The GoG accepted (21 May 2002) the request of GAPL for extension in the port limit subject to acceptance of the following conditions:

- GAPL would pay full WFR on the cargo to be handled on the SBMs to be constructed in Phase 2;

- The concessional WFR availed by GAPL under the CA for set-off would be adjusted from the depreciated replacement value (DRV)[46] or

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[45] Being five *per cent* of the cost of 3,404.37 acres land amounting to ₹ 4,76,03,645 as valued by the District land valuation committee.

[46] **DRV** = (Gross Replacement Value (GRV) derived for asset by an independent appraising team × Remaining life of the assets) ÷ total life of the assets.

depreciated historical cost (DHC)[47] as applicable at the time of the transfer of the port to GMB/ GoG; and

- GAPL would give a written consent of acceptance to the above two conditions and the necessary changes in this regard would be made to the CA.

GAPL accepted (22 May 2002) the above conditions but also stated that they may have to represent to the GoG for reconsideration on the above conditions after sensing the reactions of their financial institutions to such deviations. The GoG, however, did not accede to the request of GAPL for reconsideration of the conditions and directed (24 May 2002) the signing of supplementary concession agreement (SCA). However, on the same day without waiting for the execution of the SCA, GoG extended (24 May 2002) the port limits of Mundra Port.

In spite of repeated requests by the GoG/ GMB, the SCA had not been signed (December 2013) by GAPL and this fact was also reported[48]. The GoG also asked the Maritime Development Committee (MDC) that consisted of Chief Secretary, Secretaries of Finance, Industries and Mines, Ports and Fisheries, R&B Department and CEOs of GMB and GIDB. The MDC was appointed (28 January 2005), to decide on the issue. The MDC is yet to decide this crucial issue and has met only once since its formation (January 2005).

Consequently, the legal enforceability of recovering full WFR on the three SBMs of Phase 2 and adjusting of concessional WFR claimed for set-off amounting to ₹ 1,033.24 crore availed by GAPL till March 2013 (as calculated by GMB) against the DRV and DHC at the time of transfer of port has not yet been established (December 2013).

The Government stated (December 2013) that the SCA only was not signed because the matter was not resolved by the MDC. Further it was stated that the non-signing of SCA did not have any adverse impact as the set-off condition would be applicable only at the end of the BOOT period. The reply was not acceptable as only with the signing of SCA can legal enforceability to the conditions agreed by GAPL be ensured. The reply did not state why the MDC was not able to resolve the issue if all the conditions had been accepted by GAPL.

2.13.4 Regularising delayed construction of Phase 1 SBM and allowing concessional royalty

The GoI issued environment clearance for the Crude Oil Terminal/ SBM (24 April 2000) and Container Terminal (20 September 2000) planned under Phase 1B, and the same were scheduled to be completed by 23 April 2003 and 19 September 2003 respectively. As the scheduled dates were not adhered to, GMB issued (9 August 2004) a notice to recover Liquidated Damages (LD) as

[47] **DHC** = Written down value of the assets depreciated on Straight Line method at the rates specified in the Companies Act, 1956.

[48] **Paragraph No. 3.3.9.1** of the C&AG's Audit Report (Civil) for the year ended 31 March 2005, Government of Gujarat.

per the CA[49]. GAPL explained (4 October 2004) to GMB that the first (HPCL) SBM under Phase 1B could not materialise and hence a fresh agreement was entered into with Indian Oil Corporation Limited (IOCL) (October 2002) for the said SBM. GAPL had obtained environment clearance only in July 2004 and therefore its scheduled completion date should be three years from that date.

The IOCL SBM was completed on 18 March 2005 *i.e.*, within one year from date of its environmental clearance (EC) but without submission of the DPR to GMB for its approval. GAPL requested (October 2005) GMB to regularise the SBM construction by IOCL and consider this as the first SBM instead of the one originally planned through HPCL. GMB recommended to GoG (August 2006) to condone the delay and accept the GAPL's request. The GoG accorded (27 September 2007) its consent to the recommendation of the GMB.

It was observed in Audit that as per Model Concession Agreement (MCA), a construction guarantee of three *per cent* of DPR cost was to be taken from developer and in case of non-adherence to scheduled time limit, LD equal to loss in WFR income for the projected annual cargo for a maximum period of six months was recoverable by invoking construction guarantee. However, GMB did not include the clause for construction guarantee in the agreement with GAPL and also limited levy of LD to ₹ 18 lakh. Based on the fixed charges specified in the port user agreement entered between IOCL and GAPL in respect of the SBM, minimum handling of 8.25 MMT *per annum* was specified. Considering the same, the loss in WFR for six months worked out to ₹ 14.80 crore[50]. GMB by diluting the LD clause gave an undue benefit to GAPL.

The Government stated (December 2013) that the delay in the construction was condoned as reasons for delay was not in the control of GAPL and that the LD as per the CA with GAPL had been imposed. The reply was not acceptable as the CA entered into with GAPL was not in consonance with MCA and the LD terms were modified in the CA with GAPL to give the latter undue benefit. This action was arbitrary and allowed undue benefit of ₹ 14.80 crore to GAPL.

2.13.5 Irregular construction of quay without approval of DPR

GAPL had to construct a Container Terminal (CT) of 850 metre and a berth of 250 metre length for general cargo in Phase 1B by 19 September 2003. GAPL completed construction of only 632 metre of CT within the scheduled completion date. It further requested (June/July 2004) GMB to grant no objection certificate for development of a multipurpose terminal (MPT) of approximately 601.50 metre length in addition to the 1,100 metre length already approved under Phase 1B. GMB however, accorded (31 December 2004) in principle approval for construction of MPT of 600 metre for obtaining Environmental Clearance (EC) subject to the

[49] The licensee will pay to the licensor liquidated damages not exceeding ₹ 10,000 *per* day of delay up to a maximum period of six months.

[50] 4.125 MMT for six months × WFR of ₹ 36 *per* MT.

condition that GAPL should obtain GMB's approval on DPR and permission prior to starting the construction of MPT.

GAPL received EC in February/April 2007 and informed (June 2007) GMB that it had constructed 1,843 metres under Phase 1B against 1,100 meter approved in the DPR and requested GMB to regularise the construction of the additional 743 metre under Phase 1B as given in **Table 14**:

Table 14: Approval and actual implementation of berth construction

(Figures in metre)

Sl. No.	Type of Berth	Approved berth plan			Actual Implementation	Period
		As per approved DPR	Additional in principle approval for EC	Total		
1	General Cargo	250	600	850	575	2006-07
2	Container Terminal	850	--	850	632	2003-04
					636	2007-08
	Total	**1,100**	**600**	**1,700**	**1,843**	

GMB accorded in principle approval (July 2007) to the above augmentation and recommended (10 August 2007) the same to GoG subject to the conditions of submission of revised DPR and revised cost besides forfeiture of LD of ₹ 18 lakh withheld in Phase 1. The GoG accorded the approval in October 2007. The decision of the GoG was conveyed (October 2007) to GAPL but the conditions were not complied with for over six years (September 2013). Further, as discussed in **Paragraph 2.13.3** the terms of LD was diluted in the CA. Because of this action only a meagre amount of ₹ 18 lakh was recovered against the LD of ₹ 4.36 crore[51] due to be recovered resulting in an undue benefit being passed on to GAPL.

Audit observed that the monitoring mechanism of GMB was not geared to protect its own interests. GAPL had unilaterally changed configurations of approved DPR, undertaken the constructions based on clearances not obtained by it and later approached GMB for regularisation of all constructions. Even the conditions of submission of revised DPR and revised cost, subject to which the regularisation was made by GoG, had not been complied with by GAPL despite a lapse of over six years.

The Government stated (December 2013) that the maximum possible penalty under the CA had been levied on GAPL and no lenient treatment had been given to GAPL. The reply was not acceptable as the conditions of the diluted CA were not according to MCA leading to non-recovery of LD of ₹ 4.18 crore. Further, the GMB had failed to strictly enforce the conditions it set-out resulting in GAPL taking unilateral decisions. Also, the formality of regularisation proposed for the unauthorised construction by GMB to GoG was a fait accompli.

[51] The cargo projection for the Container terminal for the year 2003-04 was 1,45,500 TEU against which actual cargo handled was 49,000 TEU. Thus, loss of WFR for six months would have been 72,750 TEU ×WFR of ₹ 600 *per* TEU.

2.13.6 Under recovery of full WFR from SBM 2 of Phase 2 and regularisation of construction without approval

The GMB accorded (December 2008) in principle approval for construction of the three SBMs planned under Phase 2 at an estimated cost of ₹ 3,700 crore. As the three SBMs were approved for construction outside the original Mundra Port limits, the in principle approval was subject to the condition of recovery of full WFR and signing of supplementary agreement. Further EC and separate DPR had to be submitted and consent of GMB prior to starting the construction had to be obtained.

GAPL sought (November 2009) the permission of GMB for construction and operation of SBM by entering into SCA. It submitted the project report (March 2010) along with a request for including the name of HPCL Mittal Pipeline Limited (HMPL) in the SCA. Pending GMB's approval on the DPR/ permission to start construction, GAPL went ahead with the construction and obtained (19 March 2011) the landing and shipping declaration directly from Customs Department for commissioning of SBM. GAPL requested the GMB (23 April 2011) to regularise the SBM construction and grant post facto permission for the construction. Audit observed that the construction of SBM was in violation of the GMB Act.

The GMB approved (30 June 2011) the DPR 'in principle', accepted HMPL as a sub-concessionaire and granted post facto permission for the construction and recommended the same to GoG. The GoG also approved (December 2011) the decision of GMB as a fait accompli.

HMPL had commenced handling of crude at the SBM from August 2011. It handled 5.41 MMT of crude oil till March 2013 and GMB recovered full WFR at ₹ 36 *per* MT amounting to ₹ 19.48 crore. However, Audit observed that the WFR rate of ₹ 36 *per* MT was the base rate of 2003 SoPC and the current WFR rate after escalation of 20 *per cent* on every three year basis, which worked out to ₹ 74.65 *per* MT up to March 2013 was not applied. Based on the quantity handled (August 2011 to March 2013), the wharfage charges recoverable as worked out by Audit comes out to ₹ 40.39 crore. This led to short recovery of ₹ 20.91 crore.

The Government stated (December 2013) that the matter was under consideration regarding the correct applicability of rate in the HMPL SBM. The fact remains that a reference was not warranted as the terms of the agreement were clear. The amount of ₹ 20.91 crore may be recovered with interest at the earliest.

2.13.7 Favour to GAPL in recovery of WFR and granting extensions of time

Pursuant to selection of Mundra for the setting up Ultra Mega Power project (UMPP), GAPL offered (August 2006) to provide coal handling facility (CHF) for the UMPP to Power Finance Corporation Limited/ Central Electricity Authority. Under the CA between GAPL and GMB, the GAPL was required to obtain the approval of GMB for entering into any Port Service

Agreement (PSA). However, pending the approval of GMB, GAPL entered into PSA (22 April 2007) with Coastal Gujarat Power Limited for the above UMPP for 25 year term from the start of operation of UMPP but expiring not later than 31 March 2040.

Further, as the location proposed for the CHF was outside the existing Mundra Port limit, the GoG extended (12 November 2008) the port limit (called Vandh West Port) on the condition that only CHF be setup. The approval was subject to payment of full WFR by GAPL on the cargo handled in the selected port limit, extension of BOOT period for CHF only up to 2040 (against the BOOT period up to January 2031 in respect of Mundra Port) and no compensation of DRC/ DHC for contracted assets of Vandh West Port was to be granted. In this regard, a supplementary agreement was required to be signed by GAPL. The GMB approved (12 December 2008) the DPR of Vandh West Port for ₹ 4,532 crore for four berths for CHF.

GAPL received EC clearance on 12 January 2009 and approval of GMB for commencement of construction on 26 February 2009. As the construction was not completed by the scheduled date (11 January 2012), GMB granted (7 August 2012) extension of time till March 2013, though this extension has not been approved by GoG (September 2013). In the meanwhile, GAPL requested (30 May 2013) GMB for further extension in construction period till March 2015. GMB had neither granted further extension (June 2013) nor invoked the construction guarantee of ₹ five crore.

Audit observed that the supplementary agreement for CHP had not yet been executed as the clarifications on base rate for recovery of full WFR and recovery of lease rent on reclaimed land sought by GAPL was pending with the GoG (September 2013).

Audit also observed (June 2013) that GAPL commenced the operation of CHF from December 2010 and handled 30.19 MMT coal until March 2013. GMB recovered full WFR at ₹ 30 *per* MT (being the base rate for 2003) amounting to ₹ 90.57 crore. The prevailing full WFR rate (escalated at 20 *per cent* every three years as per SoPC 2003) was ₹ 62.20 *per* MT between December 2010 and March 2013. The application of wrong rates of full WFR resulted in short recovery of ₹ 97.21 crore[52] from GAPL.

The Government stated (December 2013) that the issue of levy of WFR either at base rate or at escalated rate was under consideration and pending decision, the SCA had not been signed. The reference to GoG was not warranted as the terms of the agreement were clear. The amount of ₹ 97.21 crore may be recovered with interest at the earliest.

2.13.8 Levy of port dues above prescribed limit

The port dues as notified by the GoG in the SoPC under the Indian Ports (IP) Act, 1908 were applicable to GMB ports and to all the private ports. Private

[52] 30.19 MMT cargo handled between December 2010 and March 2013 × ₹ 32.20 *per* MT being erroneous calculation of full WFR (₹ 62.20 *per* MT *less* ₹ 30 *per* MT) = ₹ 97.20 crore.

Ports mentioned in the SoPC had to restrict their port dues recovery within the maximum limit fixed. However, at Mundra Port, GAPL levied port dues[53] higher than the limit fixed in SoPC 2003 and SoPC 2012 during 2011-12, which was in violation of the provisions of IP Act. As GAPL did not provide information to GMB on the number of entries per vessel with its GRT, Audit could not assess the financial benefit availed by recovery of higher port dues by GAPL. It was further observed that GMB did not take any action to prevent the violation of the IP Act by GAPL.

The Government stated (December 2013) that the port dues notified under IP Act were not applicable to the private ports and that the Concession Agreement with such ports gave them the flexibility to structure their own tariff. The reply was not acceptable as the GoG specified through a notification the limits for recovery of port dues as per the provisions of the Indian Ports Act, 1908.

2.13.9 Loss due to non-inclusion of specific tariff heads

The SoPC 2003 classified cargo under four categories of solid, liquid (including LNG), crude and container only. The SoPC 2012 further classified liquid into three categories *viz.,* Petrol, LNG and Liquid other than POL and introduced cars as a separate category as discussed in **paragraph 2.7.5**. However, this revised categorisation was not made applicable to existing private ports and private ports wherein LoI had already been issued. In absence of any special rate available for cars to be handled at the existing private ports, GMB billed full WFR of ₹ 36.00 *per* car (up to July 2009) and ₹ 43.20 *per* car (after July 2009) for 4.26 lakh cars shipped (2008-09 to 2012-13) by GAPL at its Mundra Port as the car was treated as solid cargo and normally weighed less than one MT.

In comparison to this, Jawaharlal Nehru Port Terminal, Mumbai collects 0.5 *per cent* of the Free on Board (FoB)/ Cost Insurance Freight (CIF) value of the car. Considering, a conservative FoB value of each car at ₹ 3 lakh the WFR payable works out to minimum ₹ 1,500 *per* car. As such, due to non-inclusion of cars as a separate classification, GoG was deprived of revenue on this account.

The Government stated (December 2013) that the revised categorisation was not made applicable to existing ports because of the terms and conditions in their agreement and the application of new SoPC rates to existing ports would result in huge loss of revenue. The reply was not acceptable as the CA did not prevent introduction of new categories in the SoPC. As a new liquid category of crude was introduced for all the existing private ports in 2005, a separate classification for car should have been introduced as a category for the existing ports.

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[53] US $ 0.17 for all vessels calling at SBM terminal and ₹ 7 *per* GRT *per* entry for all other vessels against the rate of US $ 0.12 and ₹ 2.40 *per* GRT *per* entry respectively in SoPC 2003 and GAPL revised the rates from 1 October 2012 as US $ 0.24 for all vessels calling at SBM terminal and ₹ 10 *per* GRT *per* entry for all other vessels against the rate of US $ 0.20 and ₹ 4.70 *per* GRT *per* entry respectively in SoPC 2003.

In conclusion, though Mundra Port was developed as the largest private port of Gujarat, GoG had extended undue favours to GAPL as discussed in preceding paragraphs. Because of all these concessions and altering contract conditions, the GoG lost ₹ 118.12 crore as revenue.

2.14 Development of Hazira Port

The GMB had entered into CA with Hazira Port Private Limited (HPPL) (April 2002) through a bidding process for development of Liquefied Natural Gas (LNG) Terminal and Bulk General Cargo Terminal (BGCT) at Hazira. The concessionaire had an option to bring in experienced parties as sub-concessionaires. The observations related to the same are discussed below:

2.14.1 Undue favour in sub-concession agreements of HPPL

HPPL under the bidding process opted for the straight-line option[54] for payment of WFR with a concession period of only one year. Accordingly, HPPL was billed at full WFR after the end of the first year.

HPPL entered into (November 2010) a sub-concession agreement (SCA) for development of BGCT with Adani Hazira Port Private Limited (AHPPL) to which GMB was also a party. In the SCA with AHPPL, the rate for WFR, base date, first escalation date and the period of concession in the SCA were not mentioned but AHPPL started its cargo operation from May 2012. The GoG belatedly appointed (5 March 2013) a committee to finalise the terms related to WFR. Pending the decision of the committee, AHPPL was paying concessional WFR on the cargo handled at BGCT as against the full WFR being paid by its concessionaire HPPL to GMB for the cargo handled by it at LNG terminal. Audit observed that these important terms were required to be finalised in the SCA or at least before the start of cargo operations. Non-finalisation of the same has jeopardized the interest of GMB/ the GoG.

The Government stated (December 2013) that decision in respect of AHPPL was under consideration.

2.14.2 Non-recovery of sand scooping charges from HPPL

The 2003 SoPC stipulated the recovery of sand scooping charges at ₹ three *per* ton for sand scooped out of sea within the GMB port limits.

GMB, GoG and HPPL entered into a CA (22 April 2002) for development of Hazira Port Project on BOOT basis. As per the CA, the declaration of Hazira as a separate port with port limits should have been completed within 18 months (*i.e.,* by October 2003). However, during November 2003 to May 2004, for reclamation of land for development of Hazira Port, HPPL scooped sand from sea. The GoG notified the port limits for Hazira on 20 October 2004. The Port Officer, Magdalla issued (31 May 2004) a demand of ₹ 5.12 crore for 15.79 MMT of sand scooped (including service tax) since

[54] Under this option, no set-off is allowed against the Approved Capital Cost. However, the licensee had to pay concessional WFR during the concession period agreed to with licensor and for the remaining BOOT period, he had to pay the full WFR.

at the time of sand scooping it was within the GMB port limits and was not declared to be Hazira Port.

HPPL stated (5 August 2005) that the declaration of Hazira as a separate port should have taken place within 18 months (*i.e.*, by October 2003) as stipulated in CA. Had the port been declared as per terms of CA, it would have come under the control of HPPL while taking up the dredging operation and it would not have been required to pay the scooping charges. Accordingly, HPPL requested (August 2005) GMB to reconsider the claim for the scooping charges. It also stated that with the objective of containing cost, they commenced dredging for creation of approach channel in November 2003 (being the last agreed date for declaration by GMB of Hazira as a Port separate from Magdalla).

As HPPL did not agree to pay the charges, GMB referred (12 August 2009) the matter to Maritime Development Committee (MDC), which also endorsed the decision of GMB for recovering the charges. However, the recovery of ₹ 5.12 crore was pending (September 2013) receipt by GMB.

The Government stated (December 2013) that though demand for payment had been raised based on MDC’s decision, HPPL was not paying the amount and that GMB was considering taking legal opinion in this regard or as a last resort opting for arbitration.

2.15 Monitoring and control

The following deficiencies were noticed in the internal control and monitoring mechanism of GMB:

- The work of Internal Audit Wing (IAW) was restricted to audit of only Receipts and Expenditure of the GMB. The IAW conducted quarterly audit of Port offices and had conducted the audit until 2012-13. IAW consists of five officials headed by an Accounts Officer (Audit). Audit observed that it did not cover the works relating to pre-audit of tender documents, agreements entered into by GMB with developers, licensees, contractors, *etc.* IAW did not have an internal audit manual and the reports of Internal Audit were submitted to the Financial Controller and Chief Accounts Officer and not to the Board of Directors.

- The implementation of SoPC, which formed the basis for the GMB’s revenue, was done at the Port Office level. However, instances of erroneous application of tariff leading to loss of revenue as discussed earlier were indicative of the deficient functioning of IAW.

- There was no mechanism at the HO of GMB to interpret and clarify the port offices on various provisions of the agreements and the SoPC by issuing suitable instructions.

- There was no system in place to regularly monitor the activities of developers operating private/captive jetties and private ports.

Consequently, private port operators undertook constructions in their port limits without the approval of the GMB/knowledge of the port offices.

- The MIS at the head office was deficient as it did not have the details on the performance of each jetty/ port in terms of quantity and value of cargo handled the arrears of recovery from each party, indents/orders issued for purchases by the Port Officer, *etc.*

- The concession agreements entered into with various port developers require various returns to be submitted by the private ports on a regular basis to the GMB for effective monitoring and control. Audit observed that the required returns were not being submitted by the private ports and neither was the same being insisted upon by the GMB.

2.16 Conclusion

Due to non-fixation of time limit in the Port Policy and BOOT Principles and due to deficient planning, the important commitments made in the policies were not implemented even after lapse of more than 15 years since declaration of the policies. Tariff was revised with delay, without equality, and new classification in cargo categories was inapplicable to existing private ports and recovery of certain charges notified under SoPC were ambiguous. Further, no system for timely verification of construction cost of assets, monitoring the activities of the private developers was in place. The penal provisions for violation by developer were ineffective. The internal control and monitoring system was deficient.

2.17 Recommendations

The GoG/GMB may consider:

- **Adequate planning to enhance GMB's share in total port traffic;**

- **Ensuring proper and timely revision of the tariff;**

- **Evolving a system for timely verification of construction cost of assets and monitoring the activities of the developers of private ports;**

- **Ensuring that the contract provisions (including penal provisions) are effectively implemented; and**

- **Revamping the internal control and monitoring system.**

CHAPTER III

This Chapter contains two paragraphs on Irregularities in Tender Process and Incorrect Tender Provisions in Water Resources Department and Incomplete irrigation projects due to non-acquisition of land and seven other individual paragraphs on audit of compliance.

COMPLIANCE AUDIT

NARMADA, WATER RESOURCES, WATER SUPPLY & KALPSAR DEPARTMENT

3.1 Irregularities in Tender Process and Incorrect Tender Provisions in Water Resources Department

3.1.1 Introduction

The Water Resources Department[1] (the Department) undertakes execution of works related to construction, repair and maintenance of dams and appurtenances, excavation and construction of canal structures *etc.* The Department has five regions[2], each headed by a Chief Engineer having administrative control over the execution of works of 134 divisions in the State.

3.1.2 Tender Procedure

The Department executes all their construction works following tender procedures as governed by various provisions of the Gujarat Public Works (GPW) Manual 1987 (Manual) and instructions issued by the Department from time to time.

As per Paragraph 198 of the Manual, tender should invariably be invited publicly[3] for award of all the works with estimated cost of ₹ 5,000 and above. Further, Paragraph 191 (1) of the Manual stipulates that contracts for works estimated to cost ₹ 50,000 and above should be prepared only on regular contract forms. Three types of contract forms[4] *viz.*, form B-1, B-2 and C, are mainly used for tendering purpose. The forms consist of notice inviting tenders, information and instructions for tenderers, declaration certificate, memorandum and terms & conditions of contracts along with Schedules A (departmental material, if supplied to agency), B (bill of quantities) and C (time schedule of completion). The basic principles[5] of contract are to be

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1 Forming part of Narmada, Water Resources, Water Supply and Kalpsar Department.

2 North Gujarat, South Gujarat, Central Gujarat, Saurashtra and Kutch.

3 Tender notice should be advertised in the Guajarati newspaper published from the concerned district, Guajarati newspaper published from Ahmedabad and in an English newspaper.

4 The bidders are asked to quote their bid with reference to estimated cost in percentage (Form B-1 – ₹ 50 lakh or less), in item rate (Form B-2 more than ₹ 50 lakh) and in lump sum (Form C).

5 The terms of the contract must be precise and definite. As far as possible, legal/financial advice should be taken in the drafting of the contract. Standard forms of contracts should be adopted. The terms of contract once entered into should not be materially varied.

followed while entering into contracts as provided in paragraph 193 of the Manual.

In order to ensure transparency, save time and resources and shorten the procurement cycle, the State Government introduced (November 2006) an e-procurement system[6] and the Department started (January 2007) following the e-procurement system for awarding all contracts having a value of ₹ 50 lakh[7] and above.

3.1.3 Scope and coverage of audit

Audit examined the process of tendering and its compliance to the existing codal provisions as well as to see the efficacy with which Government orders, provisions of the Manual and other general conditions of contract were being implemented by the Department.

The audit was conducted between April 2012 and January 2013 in 16 out of 86 'A' category[8] divisions. The 16 divisions[9] were selected on geographical basis. Out of 95 works (estimated cost: ₹ 1,789.94 crore), tender documents and the procedures followed in award of 73 works (estimated cost: ₹ 1,614 crore) including nine Engineering, Procurement and Construction (EPC) contracts (estimated cost: ₹ 1,258.52 crore) executed during the period 2009-10 to 2012-13 by these divisions were test checked.

Audit findings

The audit findings are discussed in two categories (i) Irregularities in tender process and (ii) Incorrect tender provisions. The audit findings were reported to the Narmada, Water Resources, Water Supply and Kalpsar Department in June 2013. The Department stated (August 2013) that it had taken serious note of the audit findings and accordingly called for explanations from the concerned officers. Further, it stated that to prevent the recurrence of such irregularities in the tender process, detailed instructions were also issued to all the field offices.

3.1.4 Irregularities in the process of invitation of tenders

The tender process involves preparation of draft tender papers, invitation of tender notice/e-tendering, evaluation of bids (prequalification/technical/price),

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6 E-procurement is the process wherein the physical tendering activity is carried out online using the internet and associated technologies.

7 Money value of the contract was reduced to ₹ 25 lakhs (May 2007), ₹ 10 lakh (June 2007) and ₹ 5 lakh (July 2011).

8 The division whose annual expenditure is more than ₹ one crore.

9 (1) Sujalam Sufalam Spreading Canal Division-1, Mehsana, (2) Irrigation Division, Himmatnagar, (3) Watrak Project Canal Division, Modasa, (4) Panam Project Division, Godhra, (5) Tapi Embankment Division, Surat, (6) Ver-II project Division, Vyara, (7) Surat Canal Division, Surat, (8) Sujalam Sufalam Spreading Canal Division-2, Visnagar, (9) Drainage Division, Gandhinagar, (10) Irrigation Construction Division, Bhuj, (11) Irrigation Project Division, Bhavnagar, (12) Irrigation Project Division, Rajkot, (13) Drainage Division, Ankleswar, (14) Ahmedabad Irrigation Division, Ahmedabad, (15) Irrigation Project Division, Modasa, (16) Panam Irrigation Division, Godhra.

acceptance of tender and issuance of work orders. Audit noticed following irregularities:

3.1.4.1 Issue of Notice Inviting Tender before approval of Draft Tender Papers

Paragraph 200 of the Manual stipulated that the tender notice should be issued after the approval of the Draft Tender Papers (DTPs) by competent authority.

Audit observed that 12 divisions had issued tender notices for 21 out of 73 works (28.77 *per cent*) before approval of the DTPs. These notices were issued (November 2005 to December 2011) between four days and 116 days prior to approval of the DTPs **(Appendix-VI)**.

3.1.4.2 Short tendering period

Paragraph 200 of the Manual stipulated that if the estimated cost is more than ₹ 20 lakh, the notice inviting tender (NIT) through advertisement in newspapers should be made with the minimum time period of 45 days prior to the scheduled last date for the receipt of a tender.

Audit observed that there was short period of 9 to 35 days between the date of advertisement of the NIT in newspapers and last date of receipt of tender in eight divisions in respect of 14 works **(Appendix-VII**).

The Government has also fixed (March 2007) time gap between date of issue of blank tender copy (uploaded on website) and the last date of submission of bid (last date of downloading the tender) as 21 days for works valued more than ₹ one crore to ₹ three crore and 30 days for the works valued more than ₹ three crore.

Audit observed that in 18 works[10] out of the 73 works (24.66 *per cent*), the divisions had provided (April 2008 to February 2012) short period for bidding which ranged between 4 days and 24 days **(Appendix-VIII)**.

3.1.5 Irregularities in Pre-Qualification bid

The pre-qualification (PQ) criteria are the yardstick to allow or disallow the firms to participate in the bids. Vaguely defined PQ criteria can result in stalling the process of finalisation of the contract or can lead to the award of the contract in a manner which is not transparent. The PQ criteria should therefore be exhaustive, yet specific and should allow for fair and adequate competition. The Department circulated (August 2002) the guidelines for fixing the PQ criteria for the identification of eligible bidders for works in two bid system. The irregularities observed in this regard are discussed below:

3.1.5.1 PQ conditions altered to favour the contractor

The bid for hiring a third party inspection (TPI) for EPC contract of Kuba-Dhrol Lift Irrigation Project (KDLIP) estimated to cost ₹ 14.90 lakh was

[10] Estimated cost of work more than ₹ one crore and up to ₹ three crore- 5 works (short period 4 to 12 days) and more than ₹ three crore - 13 works (short period 4 to 24 days).

invited by the EE, Himmatnagar Irrigation Division, Himmatnagar (HIDH) in April 2008. A single offer of M/s. SGS India Private Limited, Ahmedabad (Firm S) was received (June 2008) for ₹ 58.27 lakh (391 *per cent* above estimated cost). The Department rejected (October 2008) the bid on the reason that the rate received was high. The tender was re-invited (October 2008) after revising the estimated cost to ₹ 54.57 lakh[11] recalculated based on tender cost of the EPC contract finalised (June 2008) by the Division. In the second tender only the firm S was a participant and the work was awarded (December 2008) to it at a tendered cost of ₹ 52.70 lakh.

Audit noticed that as per the directions of the Department (June 2008), before awarding the contract, the Division had availed the services of firm 'S' for TPI since July 2008 and had paid an amount of ₹ 13.99 lakh till December 2008 as discussed in **Paragraph No. 3.1.7** *infra*. Further, while inviting the tender for the second time, PQ criteria 'minimum experience of working for at least one EPC contract of similar magnitude' was also revised to a 'minimum experience of working for at least an EPC contract of similar magnitude of the contract previously awarded by the Water Resources Department of Gujarat State'. Further, the advertisement for inviting tender was made only in a Gujarati newspaper from Ahmedabad and 7 days was given for submission of bids against the stipulated 15 days. The tender conditions were altered so as to favour the firm 'S', which commenced the TPI work before award of the TPI contract.

3.1.5.2 Inept evaluation of pre-qualification bids

Paragraph 196 of Manual read with Government Resolution of August 2002 and Condition No. 3.5 of PQ bid provided that bidders should give a list of machinery in their possession and proposed to be used on the works. While deciding the eligibility of the contractor at PQ stage, availability and sufficiency of machinery with the contractor is to be a consideration and if the bidder fails to provide proof of assured availability of required machinery, he is to be disqualified for the proposed work.

Audit observed that Irrigation Division, Ahmedabad awarded three works **(Appendix-IX)** (April 2011 to October 2012) to a contractor through tender process at a cost of ₹ 37.97 crore against estimated cost of ₹ 36.80 crore. Though the contractor had not furnished documents[12] in support of the list of machinery/manpower available and proposed to be used in the works with the PQ bids, the Department accepted (March 2011 to September 2012) the tenders instead of disqualifying the contractor. Audit noticed that in respect of two works[13], against the scheduled dates of completion by September 2012 and January 2013, but was completed only in July 2013 due to lesser deployment of machinery and technical manpower on site. Awarding the contracts without assessing the capacity of the contractor to perform not only

[11] Justified as 1.67 *per cent* of the tendered cost of EPC (₹ 32.00 crore).

[12] Ownership/registration certificate of the machinery, equipment, date of purchase/hire of machinery, last inspection of machinery, present condition of the machinery, *etc.*, qualification certificate of the technical staffs.

[13] Renovation and improvement of existing canals of Dholka Taluka in Fatewadi Command area , Replacing lining and repairing of structures of Kharicut main canal section-3,4 and various branch canals and distributaries of section-3,4.

defeated the purpose of inviting the PQ bid but also led to the time overrun. But no liquidated damages were levied from the contractor.

3.1.6 Non recovery of Security Deposit as per norms

Paragraph 209 of the Manual and relevant clause[14] in tenders stipulate that the contractor should not be permitted to start work before payment of initial security deposits (SD)[15] *i.e.* 7.5 *per cent* of the estimated cost of work and remaining 2.5 *per cent* shall be recovered from running account (RA) bills. The SD consisted of small saving certificate (SSC)/term deposits receipts (TDRs), recovery from RA Bill and BG. But, it is not permissible to convert SSC/TDRs and cash deposits into BG as stipulated in Paragraph 208 A (5) of the Manual.

If the initial SD is not paid within the specified period *i.e.* within a period of 10 days from the date of acceptance of the contract, the tender/contract is to be cancelled and legal action is to be taken against the contractor.

Audit observed that four divisions did not safeguard the interest of the Government by recovery of full SD and non-renewal of Performance Bond (PB)/Bank Guarantee (BG) in respect of ten works **(Appendix-X)** as discussed below:

- In one work (Sl. No.1), the Division accepted ₹ 3.47 crore of SD (15 *per cent* of the estimated cost) in the form of BG instead of recovering SD of ₹ 2.32 crore (10 *per cent* of the estimated cost) in the form of BG (₹ 1.16 crore), SSC/TDR (₹ 0.58 crore) and from RA Bills (₹ 0.58 crore).

- In four works (Sl. No. 2, 7, 8 and 9), work orders were issued without obtaining full amount of initial SD. Amount of SD short recovered worked out to ₹ 0.61 crore[16].

- In three works (Sl. No. 2, 4, 5) BGs were not renewed after expiry of their validity, though works were in progress (March 2013). By non-renewal of BG amounting to ₹ 0.50 crore, the divisions had not safeguarded the interest of the Government.

- In six works (Sl. No. 2, 3, 4, 5, 6 and 10), short recovery of SD of ₹ 0.39 crore were made from the RA bills, of which two (Sl. No. 3 and 6) works were completed in March 2011 and March 2012 respectively.

Thus, non-adherence to the conditions of the tender regarding SD, undue financial benefit aggregating to ₹ 2.66 crore were made to the contractors.

[14] Clause 1 of Form B-2 and Clause 21 of Form C.
[15] (i) 2.5 *per cent* in the form of small saving certificate or term deposits and (ii) 5 *per cent* shall be taken as performance bond in the form of bank guarantee (BG).
[16] ₹ 0.18 crore (Sl. No. 2) as TDRs/SSCs and ₹ 0.43 crore (Sl. No. 2, 7, 8 and 9) as BG.

3.1.7 Execution of works without tender process

As per Paragraph 191 (1) of Manual, the contracts for works estimated to cost ₹ 50,000 and above should be prepared only on regular contract forms and should be entered into by inviting public tenders.

Contrary to the provisions, in two cases, audit observed that the works were awarded without inviting tenders as discussed below:

- The EPC contract for execution of Kuba-Dhrol Lift Irrigation Project (KDLIP) was awarded by the HID, Himmatnagar Division in June 2008 for ₹ 32.01 crore. As the tender process for the appointment of TPI consultant for KDLIP was in progress, at the instance of the Department (June 2008), the Division appointed the consultant[17] of Sujlam Suflam Scheme[18] to avail his services as TPI for KDLIP (as referred at **Paragraph No. 3.1.5.1** *supra*). The TPI consultant was appointed (July 2008) without invitation of tenders which was contradictory to the provisions of the Manual. The Division paid ₹ 13.99 lakh to the TPI consultant for availing his services during June to December 2008.

- Irrigation Project Division (IPD), Bhavnagar, at the instance of the Department (January 2012) engaged (January 2012) a consultant[19] for preparation of Detailed Project Report and Draft Tender Papers for EPC contract related to providing of pipeline system and pumping arrangement for lifting water from Botad Branch Canal of Narmada Project for existing dam near Botad town. The consultant was issued work order of ₹ 17.50 lakh. Thus, in violation of the GPW Manual the work was awarded to the consultant without invitation of a tender.

3.1.8 Award of contract at unworkable rates

According to a Government circular of December 1987, if rates received for the tender are below or above 10 *per cent* of the estimated cost (EC), SE/EE should ascertain the workability and reasonability of rates through rate analysis process before awarding the work.

Two works of construction of check dams at Pahadpur and Khadoda across river Mazam were awarded (May 2010) by EE, Irrigation Project Division, Modasa to a contractor for ₹ 1.14 crore (26.54 *per cent* below the EC of ₹1.55 crore) and ₹ 1.23 crore (26.57 *per cent* below the EC of ₹ 1.67 crore). The stipulated period for completion of the works was April 2011.

Audit noticed that the EE recommended (January 2010) to reject the tender stating the rates received were not workable. The SE, however, directed (February 2010) EE to obtain the rate analysis from the contractor. EE instead of obtaining rate analysis, justified (March 2010) that rates were workable as the contractor was having sufficient machinery and manpower and had no

[17] M/s. SGS India Private Limited, Ahmedabad.
[18] Executed by another division *i.e.* SSSC, Division, Himmatnagar
[19] M/s. Multi Mantech International Private Limited, Ahmedabad

work on hand. The SE also did not insist for rate analysis and the Division office awarded the works to the contractor.

Audit also noticed that the work at Pahadpur was executed only for the value of ₹ 2.13 lakh and the proposal to relieve the contractor was under consideration of the Chief Engineer, North Gujarat (December 2013). The work at Khadoda was executed only for the value of ₹ 45.31 lakh (December 2013). Thus, the decision of awarding the works at unworkable rates[20] has resulted into non-completion of the works even after lapse of more than two years from its stipulated date of completion.

3.1.9 Incorrect Tender Provisions

As per Paragraph 193 of Manual, the terms of a contract must be precise and definite and there must be no room for ambiguity. Standard contract documents[21] are being used for awarding the contract works in the Water Resource Department. Audit noticed that the divisions are not using the standard contract documents and have been including additional provisions/contract clauses. The inclusion of incorrect provisions in the tender led to passing of undue benefits to contractors as discussed in the following paragraphs:

3.1.9.1 Non revision of standard tender forms

The Government of India (GOI) had circulated (May 2005) a standard format of contract document for domestic bidding with request to follow the guidelines for preparing proper contract documents including common parameters intended to bring transparency and equity between the State Government and the contractors. Audit noticed that though GoG had formed a committee in September 2006 to revise the tender forms, no further progress was made (December 2013). In addition, there was a need for revision of standard forms by incorporating certain provisions relating to tender process as per instructions on the subject issued *vide* various Government Resolutions (GRs)/circulars of the Department from time to time. The financial implications due to non-revision of the tender forms uniformly in the tenders are discussed in the succeeding paragraphs:

3.1.9.2 Non-reckoning of the excise duty exemption in the estimates

The GOI[22] issued notifications (September 2002/March 2006), granting full exemption from payment of Central Excise Duty (CED) on the pipes needed for water supply plant for delivery of water from its source to the plant and from there to storage facility. The CED exemption is available on the certification (called Project Authority Certificate-PAC) by the

[20] As per circular of December 1987 of R&B Department when the quoted rates are below 10 *per cent* of the estimated cost of the work, the SE should examine the workability of the rate by calling item wise rate analysis and its feasibility of being execution. If item wise rate quoted not found satisfactory, the contract may be rejected.

[21] Form B-2 (Item rate contract for those works whose estimated cost are more than ₹ 50 lakh) and Form C (Lump sum contract for those works for which lump sum estimates are made).

[22] Ministry of Finance and Company Affairs, Department of Revenue, Tax Research Unit.

Collector/District Magistrate /Deputy Commissioner of the district regarding the use of the pipes in the project being executed in his district.

Four divisions[23] floated seven tenders (July 2007 to December 2011) for construction of pumping stations with laying of pipelines under EPC contracts with the estimated cost aggregating ₹ 1,148 crore. Work orders for these works were issued (June 2008 to April 2012) to four different agencies at their tendered cost aggregating to ₹ 943.97 crore as given in **Table 1**. One work (Sl. No. 4 of the table) was completed in August 2011 and remaining six works were in progress (December 2013).

Table 1: **Statement showing inflated estimates due to excise duty component**

Sl. No.	Name of EPC tender	Estimated cost/ Tendered cost (₹ in crore)	Excise duty @ 10.30 *per cent* included in estimates (₹ per MT)	Quantity of MS - pipes provided in the estimate (in MT)	Total excise duty taken in estimates (₹ in lakh)	Date of Work order/ Stipulated date of completion
	Drainage Division, Gandhinagar					
1	Construction of pumping station and supplying and laying of MS pipeline from NMC near Changa village to SSSC.	171.68/ 140.93	4,306.43	21,661.55	932.84	16.12.2010/ 15.12.2012
2	Pipeline project from Rampura (near SSSC) to Bhadath and construction of pump house at Rampura.	178.19/ 146.47	4,306.43	22,844.19	983.77	16.12.2010/ 15.12.2012
3	Pipeline project from Bhadath to Dantiwada reservoir and construction of pumping house at Bhadath.	92.47/ 79.05	4,306.43	10,710.80	461.25	20.12.2010/ 19.12.2012
	Irrigation Division, Himmatnagar					
4	Construction of two pumping stations and laying MS pipeline for KDLIP.	23.16/ 32.01	2,357.55 5,834.93[24]	2,999.87	70.72 175.04[25]	06.06.2008/ 05.05.2009
	Irrigation Project Division, Bhavnagar					
5	Construction of pumping station at Botad branch canal and supplying and laying 2350 mm dia MS pipeline from PS to Paliyad.	154.90/ 139.50	3,610.00	19,198.10	693.05	13.04.2012/ 12.04.2013
	Watrak Project Canal Division, Modasa					
6	Construction of two pumping station and supplying and laying MS pipeline from Narmada Main Canal to pumping station.	258.71/ 199.52	3,970.00	29,289.69	1,162.80	29.12.2011/ 28.12.2013
7	Construction of two pumping station (at two locations i.e., Jalampur and Saira) and supplying and laying MS pipeline from Jalampur to Watrak dam, Mazam dam and Meshwo dam.	268.89/ 206.49	3,970.00	22,349.68	887.28	29.12.2011/ 28.12.2013
	TOTAL	**1,148.00/ 943.97**		**1,29,053.88**	**5,366.75**	

23 Drainage Division, Gandhinagar, HI Division, Himmatnagar, IP Division, Bhavnagar and WPC Division, Modasa.

24 Weighted rate derived for 1,100 mm dia. pipes of 1,022.41 MT (4,805 rmt)-CED of ₹ 1,427.15 *per* rmt, for 850 mm dia. pipe of 1319.24 MT (8,750 rmt)-CED of ₹ 1,000.40 *per* rmt and for 650 mm dia. pipe of 658.23 MT(5,825 rmt)-CED of ₹ 325 *per* rmt)

25 Unlike in other cases, in this case while preparing the estimate the element of CED was also considered for fabrication of pipes from MS plates

The estimates for the works were prepared by consultants considering the CED payable on the component of items involved and the same were approved by the Department during December 2007 to January 2012. Further, tender condition stipulated that the contractors had to quote their rates inclusive of all statutory taxes and duties.

The approved estimates were inclusive of CED of ₹ 53.67 crore on MS pipes and the tender conditions provided for issue of PAC to avail CED exemption. Audit noticed that during August 2008 to December 2012 the divisions issued PAC to contractors for MS pipes. In the absence of any condition available in the tender for submission of detailed price break up by the contractors, the Department did not ensure that the benefit from issue of PAC was passed on by the contractors in their tendered rates.

On being pointed out, the Government issued instructions (August 2013) to the field offices to prepare the estimates without reckoning the element of CED in those items of work in which CED exemption will be applicable.

3.1.9.3 Irregularities related to price adjustment clause

Audit noticed that in five works due to irregularities in the tender clauses has resulted in excess/avoidable payment or creation of extra liability of price adjustment as given in **Table 2**.

Table 2: Irregularities in price adjustment

Standard Norms/ Government Instructions	Name of division/ Name of work	Irregularities observed	PE/PV		
			Payable as per standard conditions (₹ in lakh)	Paid/ payable due to changes made in the conditions (₹ in lakh)	Excess paid/ payable (₹ in lakh)
Government Resolution of March 1986 stipulated that for the works scheduled to be completed within a period of three years, the payment of price escalation for the works should not exceed the ceiling limit of five *per cent* of the net estimated cost put to tender[26].	Kutch Irrigation Construction Division, Bhuj (i) Construction of Bhandreshwar TR across river Mitti	Without giving any justification the division had enhanced the ceiling limit to 21 *per cent* in the tenders.	17.13	71.97	54.84
	(ii) Construction of Kosakadsar Bandhara[27] across river Mitti.		46.02	54.81	8.79

[26] Estimated cost put to the tender less the cost of materials supplied from the Departmental store to the contractor at fixed rate and cost of cement, steel and asphalt valued at input rates on which the sanctioned estimate is based.

[27] Bandhara is a solid non-gated wall with crest level above high tide level and constructed at mouth of river.

Standard Norms/ Government Instructions	Name of division/ Name of work	Irregularities observed	PE/PV		
			Payable as per standard conditions (₹ in lakh)	Paid/ payable due to changes made in the conditions (₹ in lakh)	Excess paid/ payable (₹ in lakh)
Clause 59 of tender related to payment of PE on material, labour and POL restrict payment of PE for the works executed in first twelve months from date of issue of work order. While approving (May 2011) the extension of time limit (EOTL) for this work, the Department had put the condition that PE would not be payable for the work done during the extended time period.	Kutch Irrigation Construction Division, Bhuj the work of construction of Bandhara at Kosavadar.	The Division paid ₹ 7.65 lakh as PE for work done in first twelve months. The Division also paid ₹ 23.09 lakh for work done during extended time limit.	0	30.74	30.74
As per the clause 59-A of B-2 forms, PV on cement and steel brought by contractor and consumable in the work shall be adjusted as per the prescribed formula. The base indices of the material shall be linked with the RBI and the base price indices of cement/ steel should be taken for the month in which the DTP is approved.	WPC Division, Modasa Work of inlet pipe drains and head regulator between Ch 27.700 km to 74.000 km of Sujalam Sufalam Spreading Canal	The division had not mentioned the star rate[28] of asphalt in the Clause 59-A of the tender. Hence, possible recovery could not be made.	(-) 7.17 (recoverable)	0	7.17
	IP Division, Rajkot The work of construction of earthwork and Cross Drainage work of main canal and distributory for Bhadar-II Water Resources Project	The division had instead of taking rate prevailing in the month in which DTP approved (June 2005) as star rate *i.e.* ₹ 17,000 *per* MT for mild steel/ structural steel and ₹ 2,600 *per* MT for cement, had incorrectly taken the rate	49.10	66.14	17.04

[28] The price of steel/cement per MT prevailing in the month in which draft tender papers (DTP) are approved is specified in the tender as 'base (star) rate' which is to be adopted for calculation and payment of price variation.

Standard Norms/ Government Instructions	Name of division/ Name of work	Irregularities observed	PE/PV		
			Payable as per standard conditions (₹ in lakh)	Paid/ payable due to changes made in the conditions (₹ in lakh)	Excess paid/ payable (₹ in lakh)
		prevailing at the time of re-invitation of tender in February 2006 *i.e.* ₹ 26,500 *per* MT for mild steel, ₹ 27,650 *per* MT for structural steel and ₹ 3,360 *per* MT for cement.			
The Department accepted (May 2011) the lowest bid with condition that no claim for PE and PV should be preferred by the contractor.	Irrigation Division, <u>Ahmedabad</u> The work of replacing, lining and repairing of structures of Khari Cut main canal section-3 and 4	Division paid ₹ 57.53 lakh to the contractor towards PE (₹ 16.46 lakh) and PV (₹ 41.07 lakh).	0	57.53	57.53
Total					**176.11**

Thus, due to not adhering to the standard tender clauses and departmental instruction, the contractors got undue financial benefit of ₹ 1.76 crore in the above cases.

3.1.9.4 Excess payment towards Cement Grade Mix

The State Government *vide* circular of December 1986, had fixed standard for design mix of various concrete grades indicating the requirement of cement in kilograms per cubic meter for various items of concrete works. The estimates for the items of the RCC works included in the tender were prepared based on circular *ibid*. This standard forms the basis for specifying the quantity in “Schedule B” (*i.e.* the item of the work to be carried by the contractor), forming part of the tender documents.

Audit observed that in respect of 12 works in seven Divisions, the cement consumption for execution of RCC items of work as per approved design mix for the work was less than the cement consumption approving in the estimates for concrete grades of M-15, M-20, M-25 and M-30. The saving in the consumption of cement which were to be recovered, were not recovered by the Divisions while making payment because of the absence of suitable provisions in the tenders. This resulted in avoidable expenditure of ₹ 2.40 crore **(Appendix-XI)**.

3.1.10 Conclusion

The instances of the various irregularities in the tender process *viz.*, non-adherence to procedures in the invitation of tender, changing of pre-qualification (PQ) criteria, inept evaluation of PQ bids, non-recovery of security deposit and bank guarantee as per the terms of contract, execution of works without tender process, award of work at unworkable rate and also various deficiencies noticed in the tender provisions, especially, related to PE/PV, star rates *etc.* indicated the need for strengthening the existing tender system in the Department.

3.1.11 *Recommendations*

The GoG may revise the tender forms reckoning various instructions issued by GoG from time to time.

3.2 Incomplete irrigation projects due to non-acquisition of land

3.2.1 Introduction

The Water Resources Department[29] (Department) is responsible for effective planning to utilise the available water resources for providing the benefits of irrigation to the farmers of the State. To increase the underground water recharge in the required areas, prevent salinity ingress in the coastal areas and transfer water to the scarcity hit/water deficit areas, the Department constructs and maintains the dams and appurtenances, check dams, canals, etc. The Department has five regions[30] each headed by a Chief Engineer having the administrative control over the execution of works through 134 divisions in the State.

Twelve works taken up for execution between January 1996 and March 2011, remained incomplete as of March 2013. The main reasons for the non-completion of the irrigation works were due to award of the works before acquisition of required land or non-obtaining prior permission from the concerned authorities for acquisition of forest land or non-expediting the land acquisition process with Revenue Department etc.

Audit analysed the actions of the divisions/the Department which led to non-completion of the works and consequential non-achievement of the envisaged irrigation benefits.

3.2.2 Land Acquisition procedure

Paragraph 232 of the Gujarat Public Works (GPW) Manual, Volume-I, stipulates that the work having contract period of more than 12 months may be commenced if the possession of the land is obtained for more than 50 *per cent* of the length/area and that the officer concerned is confident of acquiring the remaining land without much difficulty or obstruction during the contract period.

[29] Forming part of Narmada, Water Resources, Water Supply and Kalpsar Department.
[30] North Gujarat, South Gujarat, Central Gujarat, Kutch and Saurashtra.

As per the prevailing procedures, after according administrative approval for the project based on the detailed project report, the Department identifies the land required for acquisition with the details of survey number. The joint survey of the identified land is carried out with the Revenue Department. Thereafter, based on requisition of the Department, the Revenue Department follows the procedures under the provisions of Land Acquisition Act, 1894 *viz.* issues the preliminary and final notifications under Section 4 and Section 6 of the Act, respectively for acquisition of land for public purposes, and also declares the land award under Section 11 of the Act.

If project activities are to be undertaken in forest land, necessary prior approvals from the Government of India (GoI), Ministry of Environment and Forest (MoEF) are to be obtained under Forest Conservation Act, 1980.

3.2.3 Scope and coverage of audit

Audit test checked the records between April 2012 and January 2013 in seven[31] out of 86 'A' category[32] divisions planned for audit during the year 2012-13. The seven divisions were selected as 12 works of ₹ 55.24 crore undertaken (January 1996 to March 2011) were stipulated to be completed by May 1999 to February 2012 but were not completed even after a delay of one to 14 years (May 2013).

Audit Findings

In five works discussed at **Paragraphs 3.2.4** and **3.2.5** relating to construction of either dam or canal forming part of the projects to provide irrigation facilities in 5,828 ha to 20 villages. The total expenditure on the projects was ₹ 73.83 crore inclusive of these five works on which expenditure of ₹ 16.35 crore has been incurred. As the works still remained incomplete the expenditure of ₹ 73.83 crore incurred remained unfruitful.

In the other seven works discussed at **Paragraphs 3.2.6** to **3.2.7.2** relating to construction of spreading channels, Link canal, Bandhara and underground pipeline to prevent salinity and provide irrigation benefits to 7,577 ha to 33 villages (awarded between October 2002 and March 2011), remained incomplete after expenditure of ₹ 23.69 crore (May 2013) was incurred on them.

Thus, due to non-completion of works, intended benefit to provide irrigation facilities to 13,405 ha land of 53 villages as shown in **Appendix-XII** were delayed as discussed in succeeding paragraphs:

[31] (i) Salinity Control Division, Bhavnagar (ii) Irrigation Division, Dahod (iii) Und Irrigation Division, Jamnagar (iv) Irrigation Project Division, Junagadh (v) Salinity Control Division, Porbandar (vi) Project Construction Division-IV, Rajkot and (vii) Damanganga Canal Investigation Division, Valsad.

[32] The division whose annual expenditure is more than ₹ one crore.

3.2.4 Incomplete head works

To provide irrigation facilities in 3,410 ha land of nine villages of Panchmahal and Junagadh Districts through Canal network (1,910 ha) and lift irrigation (1,500 ha), Government accorded (June 1994 and January 1998) administrative approval to the Koliyari Water Resources Project, Panchmahal (KWRP) and Bhakharvad Recharging Reservoir Scheme (BRRS), Junagadh as given in **Table 3**:

Table 3: Incomplete headwork of Water Resources Project

Name of work/ Name of Division	Date of work order / Stipulated date of completion	Tendered cost / Payment made to contractor (₹ in crore)	Present status of work
Koliyari Water Resources Project, Panchmahals (KWRP) Executive Engineer, Irrigation Division, Dahod (IDD)	6 January 1996 5 July 1998	4.63 3.36	The Head work of the project was originally awarded in January 1996. However, after execution of the work valued at ₹ 3.36 crore, the Department relieved the contractor from the work in April 2005 due to non-availability of land for the work with Department. Fresh tender for left out work was invited and finalised (February 2008) for ₹ 4.08 crore. However, work order was yet to be issued pending acquisition of land (November 2013). Due to non-completion of the headwork, radial gates fabricated (June 1999) at a cost of ₹ 1.02 crore and the canal network constructed (May 2001) along with distribution system of 9.70 km at a cost of ₹ 1.94 crore could not be utilised.
Bhakharvad Recharging Reservoir Scheme (BRRS) Executive Engineer, Irrigation Project Division, Junagadh (IPDJ)	7 July 2004 6 July 2006	13.70 13.82[33]	The Head work was awarded (July 2004) for ₹ 13.70 crore to a contractor. After executing the work valued at ₹12.39 crore, the contractor could not proceed further due to protest from project affected people (PAP). Hence, the contractor was relieved from the work in November 2007. The left out work of ₹ 1.81 crore was awarded (March 2009) but after executing the work for ₹ 1.43 crore, this contractor was also relieved (July 2011) from the work due to the protest from the PAP. Remaining work again awarded (September 2012) for ₹ 1.07 crore to another contractor with a stipulated period of completion by March 2014 which was under progress (December 2013)

(**Source:** Documents furnished by the Divisions)

While issuing the work orders for construction of head works[34] in the above two projects, against the total required land of 507 ha[35] the Divisions were in possession of 193 ha[36] land (38 *per cent*) only.

Audit observed that in case of KWRP and BRRS, the compensation amount of ₹ 50 lakh and ₹ 2.43 crore respectively were deposited by the Division

33 ₹ 12.39 crore paid to the original contractor and ₹ 1.43 crore paid to the contractor of the remaining work.

34 Earthen Dam, Spillway and Masonry dam, Head Regulator and Spillway Bridge.

35 227 ha (101 ha Government land, 19 ha forest land and 107 ha private land) for KWRP and 280 ha (73 ha Government land and 207 ha private land) for BRRS.

36 174 ha Government land and 19 ha forest land.

(April 2001 and August 2002 to February 2008) with the Revenue Department. Of the amount deposited for BRRS, ₹ 1.81 crore was paid to land owners and as stated by the Division ₹ 0.22 crore remained unpaid due to embezzlement by the Revenue Department staff. Further, the Revenue Department was yet to settle the ownership disputes related to 8.63 ha land (December 2013).

In both the projects, the Project Affected People (PAP) were not willing to move to rehabilitation sites. In case of KWRP, no meeting was held with PAP/ Revenue Department after June 2004 and in case of BRRS, only three meetings were held with PAP/ Revenue Department during the last five years for pursuing the PAP to move to rehabilitation sites. This indicated that the concerned divisions/ the Department did not have the land before execution of the works and the matter remained unresolved with the PAP (December 2013).

Thus, the commencement of the head works without ensuring clear possession of land had not only led to non-completion of head works but also led to incurring of unfruitful expenditure of ₹ 41.89 crore[37] on both projects.

The Government stated (September 2013) that the payments of land compensation and also allotment of the rehabilitation sites to the PAP of both projects were made as per the applicable norms and policy of the State Government but the PAP did not vacate their land.

The fact remains that the envisaged irrigation benefits were not realised even after the delay of 7 to 14 years from the dates of completion of head works (December 2013).

3.2.5 Incomplete canal works

The following three works awarded for construction of canals related to various irrigation projects remained incomplete as given in **Table 4**.

Table 4: Statement showing the incomplete canal works

Sl. No.	Name of work / Name of the Division	Date of work order / Stipulated date of completion	Tendered Cost (₹ in crore)	Work done till extended time limit (₹ in crore) / stop of work	Irrigation benefits envisaged in hectare (ha)
1	Construction of canal for Sabli Water Resources Project / Irrigation Project Division, Junagadh	21 April 2008 / 21 March 2009	0.55	0.21 / July 2009	1,219
2	Construction of canal for Mahadevia Minor Irrigation Scheme / Und Irrigation Division, Jamnagar	27 August 2010 / 26 July 2011	0.09	0.03 / July 2011	134
3	Construction of canal for Minsar (Vanavad) Water Resources Project / Und Irrigation Division, Jamnagar	5 January 2011 / 4 December 2011	1.16	Work not started	1,065[38]

(**Source:** Documents furnished by the divisions**)**

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[37] KWRP- Head works ₹ 5.92 crore, Canal ₹ 3.36 crore, land ₹ 2.75 crore, other ₹ 1.74 crore and establishment charges ₹ 7.11 crore. BRRS: Head works ₹ 13.65 crore, C-work ₹ 2.27 crore, land ₹ 4.65 crore and other ₹ 0.44 crore.

[38] Lift irrigation 205 ha and Canal irrigation 860 ha.

3.2.5.1 The work 1 envisaged to provide irrigation benefits to five villages[39] of Junagadh District. It was observed that against the total land of 21.35 ha (private) required for construction of canal, 16.58 ha of land (78 *per cent*) was acquired before award of the work in April 2008. However, the remaining 4.77 ha land could not be acquired as some of the landowners belonging to weaker section did not agree to give up their land. Hence, the Social Welfare Department did not issue necessary 'no objection certificate' (NOC) for the acquisition of land. The contractor had stopped (July 2009) the work after executing the work for ₹ 0.21 crore due to non-availability of required land. Further, the Division belatedly approached (April 2010) the Railways Authority to obtain necessary permission for taking up the work of 2nd phase of inserting the piped canal beneath railways line crossing. As a result of inadequate follow up with the railways authority, the permission was not obtained and the contractor was relieved from the work in March 2012. Meanwhile, the head work of the Project was completed at a cost of ₹ 14.67 crore in June 2010. The Division failed to effectively pursue with the landowners and also did not follow up with railways authority for getting the latter's approval. This led to non-completion of canal work after spending ₹ 20.22 crore[40] in the project and also non realisation irrigation benefits though 58 months had elapsed from the stipulated date of completion (December 2013).

The Government stated (September 2013) that the Division was pursuing with the railway authority for obtaining NOC. Further, for acquisition of land from weaker sections, it was stated that though the matter had been pursued with Social Welfare Department no progress was made due to unwillingness of the land owners to give up their land.

Thus, the expenditure of ₹ 20.22 crore incurred remained unfruitful due to the Department's failure to acquire the land for the work.

3.2.5.2 The work 2 envisaged to provide irrigation benefits to Mahadevia village, Khambhalia taluka of Jamnagar. The related head works for the irrigation scheme was awarded (September 2007) and got completed (August 2008) for ₹ 1.39 crore. Audit noticed that the alignment of canal from chainage 81 to 380 m falls under the forest land and accordingly, in December 2008, the Division had sought permission of Forest Department for transfer of 0.45 ha of forest land. However, due to lack of follow up by the Division, the forest officials had casually examined the proposal and intimated the Division belatedly in June 2012 about the requirement of further documents viz., certificate from the District Collector and the Gramsabha. The certificates were submitted (May 2013) to the Forest Department. Meanwhile, the contractor had completed part of the canal work valued at ₹ 0.03 crore. Thus, the Division's failure to follow up with Forest Department, necessary permission was not obtained leading to non-completion of canal work. Further, the total expenditure of ₹ 1.56 crore[41] incurred for the work remained

[39] Angatray, Badodar, Khorasa, Madharvada and Manakvada.

[40] Head works ₹ 14.67 crore, canal ₹ 0.65 crore, land ₹ 3.65 crore, rehabilitation and others ₹ 1.25 crore.

[41] Head works ₹ 1.39 crore, canal work ₹ 0.03 crore and other expenses ₹ 0.14 crore.

unfruitful as the envisaged irrigation benefits of the scheme were not realised despite a lapse of nearly two years (December 2013).

The Government while reiterating the factual position of the case as brought out above stated (September 2013) that the storage of water at dam led to recharging of water in surroundings areas.

The reply is not acceptable as the Division failed to expedite the follow up process of obtaining the permission from the Forest Department. Further, the primary objective of irrigation benefits in 134 ha was not achieved.

3.2.5.3 The work 3, envisaged to provide irrigation benefits to five villages[42]of Jamnagar. The related head works of the irrigation project were awarded (July 2001) and got completed (May 2008) at ₹ 5.40 crore. However, for canal works, the land acquisition process was initiated belatedly in 2007 by the Division. At the time of award (January 2011) of the canal work, only 4.44 ha (*i.e.* 26 *per cent*) out of the required land of 16.90 ha was acquired.

Audit observed that the LAO declared (between December 2008 and June 2010) final land awards for 15.56 ha land. However, 78 out of 96 private landowners did not accept the awards and demanded (February 2010 and September 2010) for laying the underground piped canal instead of open canal. The Department belatedly decided (December 2012) to lay underground piped canal. On finalisation of alignment (March 2013) of canal, the tender was invited in June 2013 and work was awarded (January 2014) at a cost of ₹ 3.60 crore. Thus, due to non-commencement of canal work simultaneously with head works and also awarding of canal work without acquisition of land had led to failure in providing the envisaged irrigation benefits and consequential blocking of investment of ₹ 10.16 crore[43].

The Government stated (September 2013) that strong opposition from the farmers against the construction of open canal delayed the execution of the work. This was because the affected farmers were not consulted before deciding the course of canal. As a result, envisaged irrigation benefit in 1,065 ha could not be achieved.

3.2.6 Incomplete spreading channels works

With a view to prevent salinity and provide direct/indirect irrigation benefits to 6,374 ha land[44] of 27 villages in the Amreli, Junagadh and Porbandar Districts, the five works of construction of spreading channels and link canals were awarded (September 2008 and March 2011) at ₹ 24.86 crore with the stipulated period of completion between January 2010 and February 2012. Against the total requirement of 160.76 ha land[45], possession of Government land of 120.40 ha was available with the divisions. Possession of 34.64 ha of

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42 Katkola, Mota Kalavad, Shiva and Vanavad, of Bhanvad Taluka and Jamvadi of Jamjodhpur Taluka.

43 Dam ₹ 5.47 crore (₹ 5.40 paid to contractor and ₹ 0.07 crore up to date expenditure), Canal ₹ 0.07 crore and others ₹ 4.62 crore.

44 Work-1: 3480 ha and 11 villages, Work-2: 1029 ha and nine villages, Work-3: 450 ha and one village, work-4: 1100 ha and three villages and work-5: 315 ha and three villages.

45 126.12 ha Government land (inclusive of 5.72 ha forest land) and 34.64 ha private land

private land and 5.72 ha forest land were not however, made available to the contractors (March 2013) which led to non-completion of spreading channels as per the details given in the **Table 5**:

Table 5: Statement showing the incomplete spreading channel works

Work No.	Name of work	Tender cost / Work done (₹ in crore)	Date of work order / Stipulated date of completion	Government land acquired / Land not acquired private (P) and Forest (F) land (in Ha) / percentage of not acquired land	Lapses of the Divisions in getting clear possession of land for the work
Salinity Control Division, Porbandar					
1	Spreading channel between Pachhatar and Kolikhada villages in Porbandar	21.13 12.00	15 September 2008 14 September 2011	66.25 (P) 21.78 (F) 5.72 (P) 23 (F) 6	The Division submitted (May 2007) proposal to acquire the land to Revenue Department and the joint measurement survey of the land was carried out only in June 2010. However, joint measurement survey as the signature of land owners were not obtained due to which the Revenue Department had deferred (February 2013) the proposal and instructed to conduct fresh survey. Regarding forest land, the Division only in March 2011 submitted a proposal for diversion of forest land, however, permission was not yet received (November 2013). Thus, inadequate follow up/non-compliance/late initiation by the Division for acquisition of private/ diversion of forest land (5.72 ha) led to non-acquisition of required land.
2	Link canal between Devka and Khari rivers in Veraval Taluka	0.92 0.91	19 February 2009 18 January 2010	15.50 (P) 4.30 (P) 22	The Division submitted the proposal for land acquisition in March 2009 and the matter was still under correspondence with Revenue Department. The land was not acquired (September 2013).
3	Tobra and Sati Aiyavari radial canal from Kerly Tidal Regulator-Odedara (Chainage 0 to 2340 mtrs. and 0 to 870 mtrs.)	0.51 0.20	15 March 2011 15 February 2012	4.80 (P) 1.74 (P) 27	The clean possession of land in the alignment of the canal at chainage 1,400 to 2,340 m could not be obtained as some of the farmers residing nearby started opposing (December 2011) the excavation of canal by blasting method. As the issue was not yet sorted out, the canal work at the chainages mentioned was not completed (September 2013).
4	Spreading channel joining to river Netravati to Madhuvati River (chainage 0 to 6630 mtrs.)	1.58 2.26	22 June 2009 21 May 2010	20.85 (P) 0.18 (P) 0.1	The Division, based on the verbal consent given (June 2009) by the private land owners had started the work. However, during execution of the work, the land owners did not agree to hand over the possession of land and filed court case. As the matter remained unresolved, the work could not be taken up in the alignment of the canal at chainages 3,790 to 4,100 m and 5,948 to 6,120 m.
Salinity Control Division, Bhavnagar					
5	Spreading channel between Visaliya Bhandhara to Samadhiyala Bandhara in Rajula Taluka	0.72 0.36	9 December 2009 8 November 2010	13.00 (P) 6.64 (P) 34	Only at the time of the award of the contract, the Division initiated action (December 2009) for acquiring the private land required. The proposal for acquisition of private land remained under correspondence and not finalised by Revenue Authority. As the land was not made available during the period of contract, the contractor stopped (October 2010) the work.
Total		**24.86** **15.73**		**120.40** **(P) 34.64** **(F) 5.72**	

(Source: Information furnished by the divisions**)**

The table indicates that the Department failed to complete the projects which led to unfruitful investment of ₹ 15.73 crore. In all the above cases, the

Department commenced works without acquisition of land. Despite this, the Department failed to expedite the issues with Revenue/Forest Department and ensure timely acquisition of land required for the projects which initiated to provide irrigation benefits at 27 villages in the Amreli, Junagadh and Porbandar Districts.

The Government stated (September 2013) that due to long procedures involved in land acquisition, the possession of the land in some portion could not be acquired. It further stated that to the extent the works got completed, the public residing in the surrounding areas started getting the benefits either through irrigation or due to recharging of ground water.

The fact remains that the divisions had commenced the works without having required private/forest land in their possession and also failed to follow up to expedite the land acquisition process which led to incomplete works.

3.2.7 Other incomplete works

3.2.7.1 Umargam Underground Pipeline work

The Umargam Irrigation scheme envisaged for construction of Underground Pipeline (UGPL) at a length of chainage 0 to 17,610 m to provide irrigation facilities to 1,203 ha land of six villages[46] of Umargam Taluka from Damanganga Reservoir Project. Executive Engineer, Damanganga Canal Investigation Division, Valsad awarded (October 2002) the work of construction of UGPL including aqueduct[47] to contractor 'A'[48] for ₹ 5.11 crore with stipulation to complete it by October 2004. 'A' stopped the work in May 2005 after execution of the work for ₹ 1.66 crore mainly due to non-availability of clear possession of land. Finally, the work was terminated by the Department in October 2006.

The left out work of 'A' was awarded (March 2008) to B[49] for ₹ 5.94 crore with the stipulated period of completion by March 2010. Even 'B' could not complete the work within the stipulated time as the landowners delayed handing over clear possession of land. Further, the non-receipt of permission from the Roads & Buildings (R&B) Department for laying the pipeline through State Highway led to further delay in execution of work. The work was finally completed in May 2012 at ₹ 6.21 crore. However, UGPL was not put to use as seepages at some stretches were noticed during the testing of the pipeline and the repairing work was being taken up (December 2013).

Audit observed that though the Division entrusted the work to 'A' in October 2002, the procedures for acquiring the land required for construction under chainage 9,780 to 17,610 m were initiated only during November 2007 to June 2010. Further, the proposal for obtaining permission was submitted to the R&B Department only in December 2009 and the permission was granted in May 2010.

[46] Dehli, Gowada, Palgam, Sajam, Tembhi and Umargam.
[47] Aqueduct is a bridge like structure wherein canal passes over the river or stream.
[48] M/s. BMS Projects Private Limited, Surat.
[49] M/s. Niyati Construction Company, Vadodara.

Thus, non-possession of land and the delay in obtaining the statutory permissions led to belated completion of UGPL. Hence, the work planned for completion by October 2004 at a cost of ₹ 5.11 crore could not be utilised even after incurring ₹ 7.87 crore[50] (May 2013). Though cost overrun of ₹ 2.76 crore and time overrun of more than eight years had occurred in laying UGPL, the envisaged irrigation benefit to 1,203 ha of land in six villages is yet to be achieved pending completion of testing of UGPL (December 2013).

The Government stated (September 2013) that the land acquisition process was delayed due to some discrepancies in revenue records of the land under acquisition. The fact, however, remains that the Division did not take up the matter with the Revenue Department for five years after awarding the work and then failed to follow up to expedite the land acquisition process.

3.2.7.2 Ghantila Bandhara Project

The Project Construction Division No. 4, Rajkot awarded (March 2008) the work of construction of bund (*i.e.* Ghantila Bandhara Project) for ₹ 3.25 crore in forest area to prevent salinity and also to store the rain water. The stipulated period of completion of the work was September 2009.

Audit noticed that the land identified for the work falls under the Wild Ass Sanctuary. However, the Division before commencement of the project had not obtained permission to execute the work in Sanctuary area. Though, the work order was issued in March 2008, the work was held up in April 2008 after incurring ₹ 0.10 crore on excavation work. The permission of the Forest Department was belatedly sought only in June 2008. The Department had carried out (December 2008) a study to confirm that no damage would occur to the Wild Ass Sanctuary due to construction of Bandhara but the Forest Department did not accept the study report and refused (March 2009) to grant the permission. The work was finally withdrawn from the contractor in March 2010. Thus, the award of work without obtaining permission from the Forest Department led to wasteful expenditure of ₹ 0.10 crore.

The Government stated (September 2013) that in February 2008 for acquiring the land, the consent of District Collector, Morbi was obtained in which it was stated that the land was government waste land and was not reserved for any specific purpose. It further stated that the fact that it was being a forest land came to the notice of the Division when the Forest Department stopped the execution of work.

The fact, however, remains that failure of the District Collector, Morbi to verify the title of the land while giving consent to construct the bund led to wasteful expenditure of ₹ 0.10 crore and indicated that due diligence had not been carried out before award of the work.

[50] Value of work done by A - ₹ 1.66 crore and by B - ₹ 6.21 crore.

3.2.8 Conclusion

The 12 irrigation works estimated to cost ₹ 55.24 crore were started either before the acquisition of land as stipulated in the Manual or adequate action were not taken to acquire the required land during the execution of works. Consequently, even after incurring an expenditure of ₹ 97.40 crore in the projects/works for irrigating 13,405 ha land of 53 villages remained incomplete over a period one to 14 years.

3.2.9 Recommendations

- The Water Resources Department may consider revamping its monitoring mechanism and ensure that the concerned divisions are taking timely action for submission of proposals for acquisition of land/seeking permission from various authorities, pursing/expediting for the necessary approvals through effective follow up action to achieve for the timely completion of projects.

- The State Government may consider evolving a mechanism whereby coordination among the various Departments is ensured to examine adherence to laid down procedures and granting the required approvals/permissions for the execution of irrigation works.

3.3 Infructuous/wasteful expenditure and overpayment

NARMADA, WATER RESOURCES, WATER SUPPLY & KALPSAR DEPARTMENT

3.3.1 Wasteful expenditure on laying underground pipeline

Failure to conduct geological investigation before the award of work led to incurring of unfruitful expenditure of ₹ 1.02 crore.

The Water Resources Department (the Department) accorded (September 2006) technical sanction for ₹ 1.34 crore for the work of modifications and strengthening of existing system of Jojwa Wadhwana Irrigation Scheme and laying of underground pipeline (UGPL) from Tarsana Extension Canal for providing irrigation facilities to Project Affected People (PAP) of Narmada Project resettled at Thuvavi, Vadodara. The water from Jojwa Wadhwana tank passes through the canal network of Dabhoi Main Canal, Tarsana Canal and Tarsana Extension Canal. The work envisaged modification and strengthening of the above three canals[51], besides laying UGPL for a length of 3.5 km from the off take point at chainage 1,860 m of Tarsana Extension Canal to Thuvavi. The Executive Engineer (EE), Irrigation Division, Vadodara (IDV) was in charge of the execution of the work.

The work was awarded (April 2007) to a contractor[52] for ₹ 1.31 crore with the stipulated period of completion by August 2007. However, the progress of

[51] Dabhoi Main canal (ch.0 to 2130 mtrs.), Tarsana Main Canal (ch.0 to 6510 mtrs.) and Tarsana Extension canal (ch.0 to 3230 mtrs.).

[52] M/s. R. V. Kataria & Company, Vadodara.

work was unsatisfactory and the contractor could execute work valuing ₹ 1.02 crore till July 2009. Further, the testing of pipelines carried out between April 2010 and August 2010 indicated repeated occurrence of leakages in the joints of UGPL at various locations. The contractor was unable to rectify the leakages and also failed to complete the work of strengthening of canal structures. The Division had recovered (March 2008 to July 2009) liquidated damages of ₹ 11.58 lakh from the contractor and finally rescinded (December 2010) the contract as per terms of contract.

Audit observed that while according the technical sanction (September 2006) for the work, the Department instructed the Division to carry out geological investigation[53] on the alignment of UGPL before finalisation of the tender. However, the tender was finalised in April 2007 without conducting the geological investigations to analyse soil conditions such as stratification, denseness or hardness to determine the suitability of soil for laying UGPL. Only in February 2009, a soil test was conducted[54] at the site. It was also noticed that while analysing the reasons for the non-completion of work, the Superintending Engineer having jurisdiction over the Division had recorded (July 2012) that the presence of black cotton soil[55] in the site was the cause for the damage to the UGPL laid. Based on this, the Department abandoned (August 2012) the UGPL work and decided (August 2013) to provide irrigation facilities to PAP through execution of lift irrigation scheme at Thuvavi.

Thus, failure to conduct geological investigation in the area of canal alignment before the award of work led to abandonment of UGPL work executed at a cost of ₹ 0.40 crore due to unsuitable site condition. Consequently, the total expenditure of ₹ 1.02 crore, including ₹ 0.62 crore incurred for the modifications and strengthening of three canals meant to provide free flow of water to UGPL, remained unfruitful. Further, irrigation facility was not provided to beneficiaries even after lapse of six years since the stipulated date of completion of the work.

The Government stated (July 2013) that the owners of the farms through which UGPL was to be laid for providing irrigation to PAP, were not willing to allow the laying of UGPL till harvesting the Rabi crop *i.e.* earliest by February 2007. On the other hand the beneficiaries of UGPL were pressing hard to lay UGPL before monsoon. As conducting of geological investigation and finalisation of tender would take more than two months, the work was awarded without conducting the geological investigation. Regarding the work of modification and strengthening of the canals was concerned, it was stated that the execution of this work had improved the irrigation facilities in the command area.

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[53] It is performed to obtain information on the physical properties of soil/rock around a site to design earthworks and foundations for proposed structures. It is also used to measure the thermal resistivity of soils or backfill materials required for underground pipelines. The investigation involves surface exploration (*viz.* geologic mapping) and subsurface exploration of a site (*viz.* soil sampling and laboratory tests of the soil samples retrieved through test pits, boring, *etc.*).

[54] By Soil Mechanics Division, Gujarat Engineering Research Institute, Vadodara.

[55] Black cotton soil has a high percentage of clay. The soil is very hard when dry but loses its strength completely when in wet condition. This wetting and drying process causes vertical movement in the soil mass leading to crack in the joints of UGPL.

The fact remains that the work was awarded in haste without conducting the stipulated geological investigation which was crucial for successful implementation of the project. Further, the designed capacity of the existing canals were modified and strengthened only with the aim of providing irrigation facility to PAP which was not achieved leading to unfruitful expenditure of ₹ 1.02 crore.

3.4 Idle investment/idle establishment/blockage of funds

NARMADA, WATER RESOURCES, WATER SUPPLY & KALPSAR DEPARTMENT

3.4.1 Idle investment on incomplete bridge work

Delay in construction of approach road to the bridge due to belated action in acquisition of land led to non-use of the bridge constructed at a cost of ₹ 2.78 crore.

Paragraph 232 of the Gujarat Public Works (GPW) Manual, Volume-I, stipulates that work may commence if the possession of the land is obtained for more than 50 *per cent* of the length/area and that the officer concerned is confident that the remaining 50 *per cent* of length/area can also be acquired without much difficulty/obstruction and the contract period of work is not less than 12 months.

The Department accorded (March 2007) administrative approval for construction of a Bridge across River Bharaj between the village Bar and Satun of Taluka Pavijetpur, Vadodara District. This work was taken up to provide road connectivity to the people affected by the Sukhi Reservoir Project. The work also included construction of asphalt approach roads for a total length of 1,710 m at both ends of the bridge *i.e.* 840 m from Bar village and 870 m from Satun village to the bridge. The Executive Engineer (EE), Irrigation Project Division-II, Bodeli awarded (January 2008) the work at a tendered cost of ₹ 2.50 crore with a stipulated period of completion by July 2009. The contractor executed work valuing ₹ 2.78 crore, excluding the portion of approach roads, till June 2011. As the private land required for approach road on the Satun end of the bridge was not acquired, the contractor was relieved from the remaining work estimated to cost ₹ 14.38 lakh.

Audit observed that while awarding the work, the Division was in possession of 1.76 ha of private land required for the construction of roads on both sides of the bridge for a total length of 1,510 m but had not acquired 0.25 ha private land required for the construction of remaining length of 200 m road at Satun village. After two years of the award of the work, the Division approached (December 2009) the land owners to get their consent for acquiring 0.25 ha but could not obtain the same. The Division then approached (October 2010) the Collector of Bharuch for initiating the land acquisition proceedings under the provisions of Land Acquisition Act, 1894 and progress was awaited (December 2013).

The award of work without ensuring the acquisition of required private land coupled with belated efforts made for its acquisition, led to non-completion of the approach road which is a prime requirement for using the constructed bridge. Consequently, ₹ 2.78 crore incurred for the construction of bridge remained idle (December 2013).

The Government in reply (July 2013) justified that the bridge was in operation for traffic but admitted difficulty in the 200 m length. It further stated that the approach road would be constructed after the acquisition of land.

The bridge though constructed (June 2011) was not linked for 200 m by a road and it was not clear how traffic could be operated on the stretch of private land not acquired by the Government.

3.5 Avoidable/excess/unfruitful expenditure

NARMADA, WATER RESOURCES, WATER SUPPLY & KALPSAR AND ROADS & BUILDINGS DEPARTMENTS

3.5.1 Excess payment of price variation

Incorrect application of wholesale price index in calculation of price variation payments led to passing of undue benefit of ₹ 1.81 crore to the contractors.

The tender conditions for award of construction work provide for the payment of price variation (PV) to the contractor for the work done involving use of cement and steel brought by him. The tender specifies the base rates[56] for cement and steel of the month in which draft tender papers (DTP) are approved. The base rates are linked with the Reserve Bank of India (RBI) wholesale price index (WPI) and the formula for calculation of PV is also given in the tender. Accordingly, the fluctuations in rates of cement and steel are to be adjusted (*i.e.* by recovery/payment) in the bills payable to the contractor based on the increase/decrease of quarterly average of WPI index of cement and steel corresponding to the quarter under which these materials are consumed.

On 14 September 2010, a new series of WPI with base year 2004-05 was introduced by the RBI replacing the then existing series with base year 1993-94. Further, Ministry of Commerce and Industry (MoC&I), Government of India indicated (12 November 2010) that for the purpose of research and analysis, data of new series of WPI (2004-05) can be used with effect from April 2005 and for other purposes, the new WPI (2004-05) can be used with effect from August 2010.

[56] The price of steel/cement *per* MT prevailing in the month in which draft tender papers (DTP) are approved is specified in the tender as 'base (star) rate' which is to be adopted for calculation and payment of price variation.

One[57] Division office of the Roads and Buildings (R&B) Department and two[58] Division offices of the Water Resources (WR) Department awarded contracts for three construction works for ₹ 52.31 crore in February 2009. As per tender provisions, payment of PV for cement and steel was allowed. The works were completed between March 2011 and June 2011 at a cost of ₹ 51.09 crore.

Audit observed that during the period January 2009 to July 2010, 20,771.752 MTs of cement and 2,345.587 MTs of different types of steel were procured and used for execution of the works by the contractors. The Division offices, however, paid/recovered PV reckoning the new series of WPI even for cement and steel procured and consumed in the works prior to August 2010 instead of calculating it on the old series of WPI. This led to payment of PV on cement and steel of ₹ 0.43 crore instead of recovering the PV aggregating to ₹ 1.38 crore from the contractors. Thus, excess payment of ₹ 1.81 crore was passed on to the contractors as detailed in the **Appendix-XIII**.

The R&B Department stated (July 2013) that in the absence of any regulations made in this regard by the State Government, the payments were made by the concerned Division offices reckoning the new series of WPI and that action was being taken by the Division offices to recover the excess PV payment of ₹ 0.33 crore as pointed in audit. The action on recovery was awaited (December 2013).

The WR Department stated (August 2013) that at the time of finalisation (May/September/October 2008) of DTPs, the series of WPI applicable was on the basis of base year 1993-94. Further, in the absence of clear instructions for regulating the PV for the period up to introduction (August 2010) of new series of WPI based on base year 2004-05, the PV was paid/recovered based on the new WPI series published by the MoC&I even for periods prior to August 2010 in all ongoing works finalised since 2004-05.

The reply of WR Department is not acceptable as based on the instructions of MoC&I, PV was required to be made as per WPI with base year 1993-94 for cement and steel procured and consumed in the work prior to August 2010. The incorrect application of WPI in calculation of PV payments led to passing of undue benefit of ₹ 1.81 crore to the contractors which should be recovered.

[57] **R&B Department: (i) EE, Roads and Buildings Division, Dahod**- Construction of PTC college and Hostel Building at Devgadh Bariya.

[58] **WR Department: (ii) EE, Sujalam Sufalam Division No. 1, Mehsana**- Construction of inlet foot bridge, additional VRBs between chainage 158.970 to 174.500 km and 191.500 to 228.420 km of Sujalam Sufalam Spreading Canal and **(iii) Sujalam Sufalam Division No. 2, Visnagar** - Construction of inlet foot bridge, additional VRBs between chainage 228.42 to 274.345 km of Sujalam Sufalam Spreading Canal.

NARMADA, WATER RESOURCES, WATER SUPPLY & KALPSAR DEPARTMENT

3.5.2 Avoidable payment of interest

Non adherence to Government instructions led to avoidable payment of interest of ₹ 1.56 crore on the land award compensation paid belatedly.

The Government of Gujarat, Revenue Department *vide* its Circular dated 21 June 2004 stipulated that amount of compensation awarded by a Lower Court pertaining to land acquisition cases should be deposited in the Court upon the receipt of award instead of waiting for the decision to be taken on the further course of action on the Lower Court award. If required, funds for the payments would be made available from the Contingency Fund of the State so that payment of interest due to delay in depositing the compensation could be avoided.

The Executive Engineer (EE) Dharoi Canal Division-3 (DCD3), Visnagar (the Division) acquired private land of 65,330 square metre (sqm)[59] at Village Unjha and 19,772 sqm[60] at village Biliya, Siddhpur for Dharoi canal works as per the land awards announced in September 1995 and October 2003 respectively. Based on the non-acceptance of the award by the land owners and the references made, the Lower Courts[61] had awarded (August 2003 and August 2008) for payment of additional compensation, including solatium and 12 *per cent* price rise, amounting to ₹ 2.44 crore and ₹ 0.93 crore for the land acquired at Unjha and Biliya, Siddhpur respectively. Interest[62] as per Section 28 of the Land Acquisition Act, 1894 was also to be paid in the two cases on the total amount payable.

Audit observed that in none of the above cases, the amount of additional compensation along with interest as per Section 28 of the Act, *ibid* were deposited in the Lower Court within a reasonable period of three months from the receipt of awards of the lower Courts. Regarding Lower Court's award for Village Unjha, the Department filed (September 2004) an appeal in the High Court after depositing 40 *per cent* of amount of additional compensation with interest[63]. The appeal was dismissed by the High Court in July 2007. The concerned Departments[64], then in January 2010 had given approval for filing an appeal in Supreme Court after a lapse of 29 months (August 2007 to December 2009). In February 2011, the Government reversed its decision to go in appeal in the Supreme Court and the remaining amount of 60 *per cent* of compensation with interest[65] was deposited in the Lower Court by the Division by July 2011. Had the amount of compensation with interest been deposited in September 2007 *i.e.* within three months from the date of the

59 Land Acquisition Reference (LAR) No. 248 to 350/97.
60 LAR No. 2853 to 2890/06.
61 District Judge, Fast Track Court-II, Mehsana; Principal Civil Judge-Patan.
62 Interest at the rate of nine *per cent per annum* for a period of one year from the date of taking over possession of land and at 15 *per cent* annum thereafter till the amount was deposited in the court.
63 Additional compensation ₹ 92.87 lakh and interest ₹ 197.00 lakh for the period up to July 2004.
64 Water Resources, Revenue and Legal Departments.
65 Additional compensation ₹ 151.07 lakh and interest ₹ 484.37 lakh for the period up to January 2011.

dismissal of appeal in July 2007, the payment of interest of ₹ 119.96 lakh[66] could have been avoided.

Regarding the Lower Court's award for the land at Biliya, Siddhpur, after obtaining (December 2008) legal opinion that the case was not fit for an appeal, the Division sought (January 2009) Government grant for payment of the compensation with the interest. After the allotment of funds (September 2011), the Division deposited ₹ 93.20 lakh for compensation and interest of ₹ 101.30 lakh in January 2012 and September 2012 respectively. If the amount of compensation with interest was deposited in November 2008 *i.e.* within three months from the date of the Court award in August 2008, the payment of interest of ₹ 36.53 lakh[67] could have been avoided.

The Government stated (June 2013) that it was not possible for the administrative Department or the division to deposit the amount immediately without taking the decision as to whether to accept the judgment or to file appeal in the High Court. Further, in the process of decision making, the consultations were being held with the concerned Departments *viz*. Revenue, Legal and Finance which led to the delay in taking the decision and depositing the amount of compensation. The reply is not acceptable as the Government instructions of June 2004 clearly laying down that the amounts of the Courts should be deposited on receipt of the awards were not followed. This resulted in the payment of interest of ₹ 1.56 crore which could have been totally avoided.

ROADS & BUILDINGS DEPARTMENT

3.5.3 Avoidable expenditure

Failure to decide appropriate specifications and improper assessment of quantum of work before the award of work led to avoidable expenditure of ₹ 1.35 crore due to execution of extra/excess items of work at higher rate

The tender conditions for construction works of Roads and Buildings (R&B) Department stipulate that payments for 'extra items'[68] for which no Schedule of Rates (SoR) is available shall be made at the rate arrived at on the basis of a detailed rate analysis. Similarly, for the quantities in excess of 30 *per cent* of the tendered quantities of the work, payments shall be made as per the rates entered in the SoR of the year during which the excess quantities were first executed, irrespective of the tendered rates. Further, paragraph 143 (1) of the Gujarat Public Works (GPW) Manual, Volume I and the R&B Department's instructions (June 1998) stipulate that care should be taken while finalising the detailed drawings and estimates of works so as to avoid frequent changes in the works after award on account of excess/extra items of the work leading to an increase in cost and delay in completion of work.

[66] Interest amount of ₹ 10,013.76 *per* day for the period from October 2007 to January 2011.
[67] Interest amount of ₹ 3,781.40 *per* day for the period from December 2008 to July 2011.
[68] The items that are completely new and are in addition to the items contained in the contract awarded.

The Government of Gujarat (GoG) accorded (June 2010) Administrative Approval for the Development work of Central Vista[69] up to Railway Station in Gandhinagar City. Based on the design and estimates[70] submitted by the Project Consultant[71], GoG approved (July 2010) the Detailed Tender Papers including estimates of the work for ₹ 35.13 crore. The Executive Engineer (EE), Capital Project (CP) Division-I, Gandhinagar, awarded (August 2010) the work to a contractor[72] (L1 bidder) for ₹ 32.45 crore with a stipulation for its completion by August 2011. The work was completed in June 2012 at a cost of ₹ 33.42 crore[73].

Audit observed that one of the extra item of work executed was "Providing and laying tumbled finish machine cut Raj Green (RG) stone 25 to 35 mm thickness up to 900 mm in flooring on 52,137.08 square metre (sqm)" costing ₹ 7.83 crore. The Department accorded (March 2011) sanction for laying machine cut RG stone in the pavements *in lieu* of manual cut RG and other types of stones originally provided in the tender with a view to get more aesthetic appearance. While fixing (March 2011) the rate of extra better (Machine cut RG stone) at ₹ 1,520.39 *per* sqm., based on rate analysis, the cost of raw RG stone was taken as ₹ 6,000 *per* 100 sqft. Audit found that the tender for the work included a similar item "Providing and laying tumbled finish RG stone (hand cut) 25 to 35 mm thickness up to 900 mm" and for this item, rate of raw RG stone was considered as ₹ 5,090 *per* 100 square feet (sqft). For the extra item the rate of raw RG stone was fixed at ₹ 6,000 *per* 100 sqft which escalated the rate of the extra item to ₹ 1,520.39 *per* sqm instead of ₹ 1,386.60 *per* sqm had the rate of ₹ 5,090 *per* 100 sqft been taken as accepted for other item in this stone work. This extra item of work carried out with higher cost of raw material input, resulted in avoidable expenditure of ₹ 0.69 crore[74].

It was also observed that in 16 items of civil work the quantity executed at a cost of ₹ 3.24 crore was in excess of 130 *per cent* of tendered quantity. Of which, for two items, the quantity of the work was not properly estimated by the Consultant and in the remaining items, execution of excess items were made due to the decision taken by the R&B Department to include additional works[75] and also to increase the width of street at Mahatma Mandir after award of the contract. Of these 16 items, in 4 items of work, the SoR rates were 10 to 80 *per cent* above the tendered rates and their cost as per tendered rate was ₹ 0.92 crore. However, these were got executed at ₹ 1.58 crore resulting in avoidable expenditure of ₹ 0.66 crore **(Appendix-XIV)**.

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69 The vista is envisioned as a large public space for people to visit by creating a straight open land between two places with green belt in centre and lanes on both sides. The development work involves streamlining the existing road network, executing an extensive pedestrian network and landscaping based on a variety of land uses on the vista.

70 Based on SoR for the year 2008-09.

71 HPC Design and Project Management Private Limited and ₹ 1.14 crore (including service tax ₹ 0.11 crore) was incurred towards consultancy.

72 M/s. Katira Construction, Bhuj.

73 Total cost inclusive of (i) Civil work - ₹ 27.80 crore, (ii) Electrical work – ₹ 5.02 crore, (iii) Other Miscellaneous work – ₹ 0.60 crore.

74 ₹ 1,520.39 *per* sqm - ₹ 1,386.30 *per* sqm × 52,137.08 sqm.

75 Internal portion of various Government Buildings within the ambit of Central Vista.

The Government stated (July 2013) that due to huge magnitude of the project, it was difficult to envisage and finalise all elements at the time of preparation of estimates which led to execution of extra items of work. The decision to use machine cut RG stone for the entire project was taken for giving a uniform look and to get greater strength and durability to the stone pavement. It was also stated that the excess items of works were executed due to technical and site requirements.

The reply is not acceptable as the fact remains that the rates of extra and excess items were fixed considering higher rate of raw material and adopting current SoR respectively which led to an excess expenditure of ₹ 1.35 crore.

3.5.4 Avoidable payments of additional lease premium

Non adherence to the stipulations of lease agreement led to avoidable payments of additional premium of ₹ 73.04 lakh. Further, investment of ₹ 112.37 lakh made in the leased plots also remained unfruitful for more than a decade

The Government of Gujarat (GoG) accorded (January 1993) Administrative Approval for acquiring two plots[76] on lease basis from the City and Industrial Development Corporation of Maharashtra Limited (CIDCO) at Navi Mumbai to construct the Gujarat Bhavan consisting of a State Guest House and an Emporium. Accordingly, the GoG paid lease premium of ₹ 112.37 lakh between October 1993 and May 1999 to CIDCO. A lease agreement valid for 90 years was executed with the CIDCO in March 2005 after a delay of nearly six years from the payment of last instalment of the lease premium. No justification was on record for the delay. As per lease agreement, the GoG was to commence the construction work within 12 months from the date of agreement and to complete the construction and obtain Occupancy Certificate from Navi Mumbai Municipal Corporation (NMMC) within five years. In the event of non-completion of construction within the time limit, CIDCO, at its discretion, may fix extended period after charging applicable additional premium from the GoG. The Executive Engineer (EE), Roads & Buildings (R&B), Valsad (the Division) was in charge of execution of the work.

Audit observed that (February 2013) the Division office had not submitted building plan for approval of the NMMC to commence construction works on the plots. As per the system in vogue, the policy decision regarding the type of buildings to be constructed for the Gujarat Bhavan was to be taken by the GoG. The Chief Architect of GoG was to then prepare initial and detailed architectural drawings and specifications. The Division was to prepare initial estimates for obtaining the administrative approval, obtain the approval of NMMC on the building plan, invite tenders, award contract and ensure the commencement and completion of works. The R&B Department was to give technical sanction. However, none of the basic procedures *viz.* deciding the mode/type of building for construction of the Gujarat Bhavan and finalisation of plan/drawings by the Chief Architect of the R&B Department were completed (March 2013). Pending completion of the procedures, the Division,

[76] Plot No. 26 and 27 at Sector 30-A at Vashi, Navi Mumbai admeasuring 4,485.20 sqm.

got the time limit extended by the CIDCO twice *i.e.* up to March 2012 and later up to March 2014 after the payment of additional premium ₹ 28.09 lakh (March 2010) and ₹ 44.95 lakh (April 2013) respectively as stipulated in the lease agreement.

Thus, delay in construction of Gujarat Bhavan at Mumbai led to the payments of additional premium of ₹ 73.04 lakh and blocking up of investment of ₹ 112.37 lakh for more than a decade without fulfilling the objectives.

The Government stated (August 2013) that the payment of ₹ 73.04 lakh was paid to CIDCO as per the terms and conditions of the lease agreement. The construction could not be taken up due to the reasons beyond control but the Government paid the premium to protect the land worth crores on which new Gujarat Bhavan will be taken up in future.

No specific reply was given as to why the construction of Gujarat Bhavan within the period prescribed in the lease agreement did not commence which led to payment of additional lease premium. The objective of having a State Guest House and an Emporium at Navi Mumbai had not been fulfilled despite ten years having elapsed. Further extension of lease period granted by CIDCO will expire in March 2014 and the possibility of future payments towards additional premium cannot be ruled out.

3.5.5 Avoidable expenditure

Failure to get the energy audit done led to inefficient use of electrical energy and incurring avoidable expenditure of ₹ 56.83 lakh

As per Gujarat Use of Electrical Energy (Regulation) Order, 1999 (1999 order), every consumer to whom electrical energy is supplied for a purpose other than residential or industrial, and whose contracted load is 75 KW or more is required to cause an energy audit to be done at an interval of three years. This is required so that corrective steps can be taken for preventing the leakage, wastage or inefficient use of electrical energy while operating electrical installation/apparatus. Also, as per **Paragraph 3.2.1** of the Electricity Supply Code and Related Matters Regulation 2005, issued by the Gujarat Electricity Regulatory Commission, the consumer with three phase power supply will have to maintain an average power factor (PF) of not less than 90 *per cent*, otherwise PF adjustment charges[77] are levied. The Executive Engineer, Capital Project Division-3, Gandhinagar, (the Division) has four High Tension (HT) connections[78] for managing the water supply and drainage system in Gandhinagar.

Audit observed that in all the four HT connections the Division had not got the energy audit done periodically on its electrical installation/apparatus. Consequently, the use of electrical energy due to non-maintenance of specified

[77] As far as possible, power factor (PF) should be kept close to unity. The low PF would lead to increase in current and consequential additional loss of active power in the power system. To compensate the loss, the power supply companies recover penalty from the consumers.

[78] Chharodi Water Works (1200 KW), Jashpur Sewage Treatment Plant (750 KVA), Sargasan Pumping Station (400 KW) and Sarita Udyan Water Works (1000KW).

PF also remained undetected. The PF in that installation ranged between 69 and 89 *per cent* for a period ranging from 28 to 47 months and the Division had to pay PF adjustment charges ₹ 56.83 lakh during the period April 2009 to March 2013 **(Appendix-XV)**.

During the course of audit, the Division was intimated (February 2010) about the PF remaining persistently low for a long period due to non-installation of the required APFC panel[79]/power capacitors. However, the Division did not take any corrective action.

The Government stated (May 2013) that the steps were being taken for conducting the energy audit of all the four HT connections through government authorised agencies. It is further stated that the existing non-working APFC panels attached to two HT connections[80] were repaired in January and March 2013 and for the remaining two HT connections[81], action for procurement of APFC panels were being initiated. The payment of ₹ 56.83 lakh was avoidable had the energy audits been carried out as per the 1999 order.

(H.K. DHARMADARSHI)

AHMEDABAD Accountant General

The (Economic & Revenue Sector Audit), Gujarat

Countersigned

(SHASHI KANT SHARMA)

NEW DELHI Comptroller and Auditor General of India

The

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79 Active Power Factor Correction, measure power distribution to operate at its maximum efficiency.

80 At Jashpur and Sargasan.

81 At Chharodi and Sarita Udyan.

APPENDIX–I

Year-wise breakup of outstanding Inspection Reports as on 30 September 2013

(Reference: Paragraph 1.7.1)

Sl. No.	Department	Upto 2008-09		2009-10		2010-11		2011-12		2012-13		TOTAL	
		No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras
1	Agriculture & Co-operation	314	981	30	96	61	261	68	698	13	155	**486**	**2,191**
2	Energy & Petrochemicals	76	139	5	8	9	26	3	18	4	5	**97**	**196**
3	Finance	7	21	1	1	3	8	1	5	-	-	**12**	**35**
4	Forests & Environment	85	165	23	59	23	62	22	67	7	21	**160**	**374**
5	Industries & Mines	407	1134	51	172	40	154	55	248	13	27	**566**	**1,735**
6	Narmada, Water Resources, Water Supply & Kalpsar (except Water Supply)	436	807	71	166	91	274	94	340	101	436	**793**	**2,023**
7	Ports & Transport	398	1453	33	152	28	146	26	138	6	46	**491**	**1,935**
8	Roads & Buildings	373	846	66	177	56	171	51	517	60	394	**606**	**2,105**
9	Science & Technology	4	19	1	4	1	5	0	0	0	0	**6**	**28**
10	Climate Change[1]												
Total		**2,100**	**5,565**	**281**	**835**	**312**	**1,107**	**320**	**2,031**	**204**	**1,084**	**3,217**	**10,622**

[1] The department was set up in February 2009 to take up the research and development works related to non-conventional alternative sources of energy, preparation of cliamate change policy, study the effect of climate change in terms of the rising sea level, problem of coastal population *etc.*, and impart guidance on its mitigation *etc.*

APPENDIX-II

Glossary of Terms used in Performance Audit on Functioning of Gujarat Maritime Board
(Reference: Paragraph 2.1)

Sl. No.	Terms	Definition
1	Anchorage charges	Charges recovered from a ship, which remains anchored at an anchor point for more than 30 days.
2	Berth hire charges	Charges recovered from a ship for occupying a berth for landing or shipping purpose.
3	BOOT Policy	Built, Operate, Own and Transfer (BOOT) Policy 1997 announced by GoG for privatisation of minor ports in the State of Gujarat.
4	BOOT Law	BOOT Law -1999 enacted by GoG to lay down principles and procedures for privatisation through BOOT Model.
5	Buoy	Floating devices used to aid pilotage by marking Maritime access channel.
6	Captive Jetty	A captive jetty is a structure constructed for landing and shipping of the raw materials or their finished products by an industry and is used for the captive purpose of the industry.
7	Coastal Vessel	A vessel registered in India with Indian crew exclusively employed in carriage by sea of passengers or goods between a port or a place in India.
8	Crude Oil Terminal (COT)	It is an industrial facility for the storage of crude oil received from the Single Buoy Mooring and from which these products are usually transported to end users or further storage facilities.
9	CRZ clearance	Costal Regulatory Zone clearance is required to be obtained from Ministry of Environment and Forest, Government of India/ State Government to provide comprehensive measures for the protection and conservation of our coastal environment.
10	Depreciate Historical Cost (DHC)	Written down value of the assets depreciated on straight-line method at the rates specified in the Companies Act, 1956. This is payable to the developer by GoG for transfer of the port due to developer's default.
11	Detention charges	Charges levied for delay in arrival/ departure of vessel to/ from berth.
12	Draft	Depth necessary to submerge a ship to its load line. It determines the minimum depth of water required for safe navigation.
13	Dredger	A boat with equipment for removing dirt and sand from the bottom of a river or lake.
14	Dredging	Dredging is an excavation activity or operation usually carried out at least partly underwater, in shallow seas or fresh water areas with the purpose of gathering up bottom sediments and disposing them at a different location.

Sl. No.	Terms	Definition
15	Gross Registered Tonnage (GRT)	Gross Registered Tonnage represents the total internal volume of cargo vessels as per the ship's registry or the International Tonnage Certificate issued by the competent authorities.
16	Lighterage	Partial unloading of a vessel outside the harbour to reduce requirement of its draft to enable access to berths.
17	Lighterage levy	A charge levied on per MT basis for cargo handled through lighterage operation.
18	Major Port	Major ports are the ports managed by Ministry of Shipping, Government of India and are governed by the Major Port Trusts (MPT) Act, 1963.
19	Minor Port	Minor ports are notified under the Indian Ports Act, 1908 and Managed by State Government.
20	Mooring fees	Fees recovered from a ship calling at a Single BM for unloading/ discharge of liquid/ gas cargo.
21	Pilotage charges	The charges levied for providing services related to pilot, pilot vessel, use of navigational channel and navigational aids like lights, beacons, buoys, etc.
22	Port	A port is a location on a coast or shore containing one or more harbors where ships can dock and transfer people or cargo to or from land.
23	Port dues	Charges recovered from ships for allowing entry into a port limit by the port authority.
24	Set-off	It is a difference between Full Waterfront Royalty (WFR) and Concessional WFR or Full Wharfage and Various Rebates allowed till the time it equals Capital Cost of Construction or Approved Project Cost.
25	Single Buoy Mooring (SBM)	Single Buoy Mooring, which has been put in the sea for handling the liquid/ gas cargo from large vessels that require more draft for berthing.
26	Twenty-Foot Equivalent Unit (TEU)	Twenty-Foot Equivalent Unit is an inexact size of a container having approximate size of twenty feet long and eight feet wide.
27	Towage	The charge recovered for towing a vessel.
28	Tug	A powerful small boat designed to pull or push larger ships.
29	Ultra Mega Power Project (UMPP)	Ultra Mega Power Project (UMPP) is an initiative of Government of India, and consists of power plant having a capacity of about 4000 MW each, constructed at coal pitheads and coastal locations aimed for delivering power at competitive cost to consumers by achieving economies of the scale.

APPENDIX-III

Details of various type of jetties in Cargo handling minor ports of Gujarat (Reference: Paragraph 2.8)

Sl. No	Ports	Captive jetties	Private Jetties	GMB Jetties	Total
	GMB Ports				
1	Magdalla	10	1	2	13
2	Bedi	-	8	3	11
3	porbandar	-	1	2	3
4	Navlakhi	-	3	1	4
5	Bhavnagar	-	-	2	2
6	Veraval	-	-	5	5
7	Okha	-	-	6	6
8	Mandvi	-	-	1	1
9	Jakhau	3	1	-	4
10	Muldwarka	1	-	-	1
11	Pipavav (victor)	-	-	2	2
12	Sikka	7	-	-	7
	Total	**21**	**14**	**24**	**59**
	Private Ports				
13	Hazira				0
	Private ports (GMB Coexisting)				
14	Dahej	2	1	-	3
15	Mundra	-	1	1	2
16	Pipavav	1	-	-	1
	Total	**3**	**2**	**1**	**6**
Grand Total		**24**	**16**	**25**	**65**

Appendix-IV

Status of Captive Jetty Agreements entered by GMB
(Reference: Paragraph 2.11.1)

Sl. No.	Name of CJA Holder	Place	Date of	
			Signing CJA	Start of Cargo Operation Date
CJAs where capital cost of construction is approved				
1	Gujarat Ambuja Cement Limited	Magdalla	8 December1999	July 1984
2	Essar Steel Limited Sponge Iron	Magdalla	1 November2000	October 1989
3	Reliance Industries Limited, SBM	Magdalla	11August 1999	December 1995
4	Digvijay Cement Company Limited	Sikka	20 September1999	1973-74
5	Reliance Port and Terminal Limited (RPTL)- RO RO	Sikka	28 February 2000	November 1997
6	Dahej harbour Infrastructure Limited	Dahej	11 August 1999	December1998
7	Reliance Industries Limited (IPCL Dahej)	Dahej	16 March 2000	November1996
8	GACL Muldwarka New and old Jetty	Muldwarka	17 June 2000	September1993
9	Ultratech Cement Limited (Larsen and Toubro, Kovaya)	Kovaya	28 February 2000	May 1997
CJAs where technical verification was in progress				
10	Essar Steel- Sponge Iron 2nd extension	Magdalla	25 March 2010	May 2010
11	Larsen and Toubro Limited Ro-Ro	Magdalla	25 October 2000	August 1993
12	Essar LPG Jetty	Magdalla	1 November 2000	April 2001
CJAs where cost verification was in progress				
13	Reliance Industries Limited – Ethylene	Magdalla	11 August 1999	March 1991
14	Reliance Industries Limited - EDC cum Ro-Ro	Magdalla	11 August 1999	February 1996
15	Reliance Industries Limited - Second Gas Jetty	Magdalla	11 August 1999	November 1997
16	RPTL - 4 Tanker Berths	Sikka	28 July 1999	July 1999
17	Reliance Industries Limited - 2 SBM (1 & 2)	Sikka	28 July 1999	September 1999
18	Sanghi Industries Limited	Jakhau	29 October 2000	May 2002
CJAs where information was not furnished				
19	Essar Steel Limited l- Sponge Iron 1st extension	Magdalla	12 February 2009	March 2009
20	RPTL - SPM 3, 4 and 5	Sikka	15 May 2010	October 2007
21	RPTL - Fifth Berth	Sikka	20 April 2011	April 2011
CJAs where no set-off of capital cost was allowed				
22	ABG Cement	Jakhau	5 January 2012	Not yet started
23	JP Associates	Jakhau	21 May 2012	May 2012
24	Bharat Oman Refinery Limited	Sikka	15 January 2010	November 2011

APPENDIX–V

Statement showing the private jetty agreements entered by Gujarat Maritime Board

(Reference: Paragraph 2.12.1)

Sl. No.	Name of the Licensee	Name of the Port	Date of Agreement/ operation/ Expiry	Jetty Status	Period for which License agreement is entered (in years)	Premium recovered for the jetty	Cost of jetty recovered by GMB (₹ in crore)	Minimum Guaranteed (per annum)		Amount of Bank Guarantee for minimum wharfage
								Tonnage (in lakh tons)	Amount (₹ in crore)	
1	Saurastra Cement Limited, Ranavav	Porbandar	17 January 1997/ 4 February 2000/ 3 February 2015	Incomplete	15	Nil	2.38	5	1.50	₹ 1.50 crore
2	Welspun Gujarat Stahl Rohren Limited, Mumbai	Dahej	01 December 2005/ 08 June 2006/ 07 June 2011	Existing	5	Nil	No cost recovered	1	Not *mentioned*	₹ 50 lakh
3	Wellbrines Chemicals Limited, Chennai	Jakhau	02 August 2000/ 27 April 2002/ 26 April 2007	Incomplete	5	No premium	No cost recovered	1 to 5 lakh ton escalated by 1 lakh tone per annum	₹ 5 lakh to ₹ 25 lakh based on rate of Salt	₹ 5 lakh to ₹ 25 i.e., amount equal to Wharfage of the year
4	Ashapura International Limited, Mumbai	Mundra	7 September 1996/ 15 October 2002/ 14 October 2007	New Jetty	5	No premium	Not mentione d	2.5	0.70	₹ 70 lakh
5	Krishak Bharati Co-operative Limited, New Delhi	Hazira	30 December 2009/ Not available/ 29 December 2015	Old Captive Jetty	5	No premium	No cost recovered	3.5	Not mentioned	₹ 50 lakh
6	Shreeji Shipping Services (India) Limited, Jamnagar	Navlakhi	22 November 2006/ 10 September 2007/ 21 November 2011	Incomplete	5	No premium	0.77	1.5	Not mentioned	₹ 20 lakh
7	United Shippers Limited, Mumbai	Navlakhi	7 October 1998/ 23 February 2000/ 22 February 2010	Existing	10	No premium	No cost recovered	4	1.20	₹ 1.20 crore
8	Jaydeep Associates Limited, Morbi	Navlakhi	28 September 1999/ 25 January 2004/ 24 January 2009	Existing	5	No premium	No cost recovered	Not mentioned	Not mentioned	Not mentioned

Sl. No.	Name of the Licensee	Name of the Port	Date of Agreement/ operation/ Expiry	Jetty Status	Period for which License agreement is entered (in years)	Premium recovered for the jetty	Cost of jetty recovered by GMB (₹ in crore)	Minimum Guaranteed (per annum)		Amount of Bank Guarantee for minimum wharfage
								Tonnage (in lakh tons)	Amount (₹ in crore)	
9	Shantilal and Company, Jamnagar	Bedi	23 May 1995/ 16 June 2000/ 15 June 2025	Existing	25	₹ 10 lakh per annum	1.40	1.5	Not mentioned	Not mentioned
10	Shakti Clearing Agency Private Limited, Jamnagar	Bedi	3 August 1996/ 22 July 1998/ 21 July 2013	New Jetty	15	Not mentioned	Not mentioned	6	1.65	₹ 1.65 crore
11	Continental Warehousing Corporation Limited, Bangalore	Bedi	06 December 2006/ 07 February 2007/ 06 February 2032	Existing	25	₹ 2.5 crore	11.30	9.20	Not mentioned	Not mentioned
12	J M Baxi and Company, Mumbai	Bedi	23 May 1995/ 14 July 1998/ 13 July 2022	Existing	25	₹ 20 lakh per annum	2.80	3	Not mentioned	Not mentioned
13	JM Baxi and Company, Mumbai	Bedi	20 April 2011/ 19 April 2013/ 18 April 2038	New Jetty	25	₹ 1 crore	0.57	3.0	Not mentioned	₹ 25 lakh
14	Ruchi Infrastructure Limited, Mumbai	Bedi	16 July 1998/ 19 July 1999/ 18 June 2024	Incomplete	25	₹ 50 lakh	1.72	1.5	Not mentioned	Not mentioned
15	Ruchi Infrastructure Limited, Mumbai	Bedi	01 June 1999/ 8 June 2004/ 31 May 2026	Incomplete	25	₹ 50 lakh	0.75	1.5	Not mentioned	Not mentioned
16	Ruchi Infrastructure Limited, Mumbai	Bedi	12 November 2009/ 11 May 2011/ 11 May 2036	New Jetty	25	₹ 50 lakh	0.28	1.5	Not mentioned	₹ 12.50 lakh

APPENDIX-VI

Statement showing the issuance of Notice Inviting Tenders before approval of Draft Tender Papers

(Reference: Paragraph 3.1.4.1)

Sl. No.	Name of Division	Name of work	Estimated cost (₹ in crore)	Date of approval of DTPs	Date of Issuance of NIT	Gap between the dates of NIT and DTPs (in days)
1	SSSC Division-1, Mehsana	Construction of inlets, foot bridges, Village Road over bridges (VRBs) between chainage 158.970 to 228.240 km of SSSC	17.93	15-10-2008	08-10-2008	7
2		Improvement of existing Southern drain Eastern drain, Western drain and Devada drain including construction/renovation of CD work along the drain of Mehsana district	3.37	04-02-2009	15-01-2009	20
3	SSSC Division-2, Visnagar	Construction of canal syphon across river Saraswati at chainage 247.805 km on SSSC	20.06	01-09-2008	20-08-2008	12
4		Re-sectioning and regrading of drains and construction of new structures in network of drain in SSSC between 228.42 to 274.345 km	4.52	09-01-2009	03-01-2009	6
5		Construction of canal crossing between chainage 257.390 and 257.925 km on SSSC	2.75	22-12-2005	16-11-2005	36
6	Drainage Division, Gandhinagar	Constructing VRBs at various locations in Dehgam	1.63	22-09-2010	09-09-2010	13
7	Kutchh Irrigation Construction Division, Bhuj	Construction of Faradi, Jakhaniya, Motirayan and Saniyasar check dam of Kutchh district package No. 20 (k 85, k 86, k 87 and k 88)	4.49	17-01-2009	05-01-2009	12
8		Construction of Barachiya-1, Barachiya-2, Barachiya-4 and Kankavati-4 check dam of Kutchh district. Package No. 7 (k 25, k26, k27 & k 28)	4.57	05-01-2009	23-12-2008	13
9	Ahmedabad Irrigation division, Ahmedabad	Replacing lining and repairing of structures of Kharicut main canal section 3-4 and various branch canals & distributaries of section 3-4	14.67	17-01-2011	05-01-2011	12
10	Irrigation Division, Himatnagar	EPC contract for construction, installation, erection and commissioning of two pumping station including civil mechanical instruments and electrical work along with providing and laying MS pipeline for KDLIP.	23.16	24-12-2007	30-08-2007	116

Sl. No.	Name of Division	Name of work	Estimated cost (₹ in crore)	Date of approval of DTPs	Date of Issuance of NIT	Gap between the dates of NIT and DTPs (in days)
11	Irrigation Division, Himmatnagar	Restoration and Development of Pratapnagar Tank at Village Raygadh, Himmatnagar	3.1	19-12-2009	21-10-2009	59
12	Panam Project Division, Godhra	Providing permanent steel support and back concrete and rock concrete to existing tunnel from chainage 750 m and 4,020 m of PHLCP.	17.54	14-12-2007	08-10-2007	67
13		Providing concrete and shot-crete lining to existing excavated tunnel from chainage 750 m to 4,020 m of PHLCP.	11.95	14-12-2007	08-10-2007	67
14	Panam Irrigaton Division, Godhra	Constructing check dam of village Hamirpur and Karanpura on river Meshri near survey No. 31 and 49	1.39	07-12-2009	16-11-2009	21
15	Irrigation Project Division, Bhavnagar	EPC contract for construction of pumping station at Botad branch canal near chainage 47,350 m and supplying and laying 2350 mm dia MS pipeline from PS to Paliyad and 610 mm dia MS pipeline from Paliyad to Goma Canal	154.90	19-01-2012	20-12-2011	30
16	Irrigation Project Division, Modasa	Construction of big check dam at village Ged on Mazam River	1.48	06-11-2008	08-10-2008	29
17	Watrak Project Canal Division, Modasa	EPC contract for construction of pump station and supplying and laying of pipe from NMC chainage 153.259 km to Watrak dam, Meshwo dam and Mazam dam (Package-I)	258.71	18-10-2010	13-09-2010	35
18		EPC contract for construction of pump station and supplying and laying of pipe from NMC chainage 153.259 km to Watrak dam, Meshwo dam and Mazam dam (Package-II)	268.89	18-10-2010	13-09-2010	35
19	Ver-II division, Vyara	Construction of big check dam Vahar Amlidobada and Padmandan - 2 in Umarpada Taluka of Surat District	1.81	20-11-2009	16-11-2009	4
20		Construction of big check dam Padmandan and Chitalda in Umarpada Taluka of Surat District	1.99	20-11-2009	16-11-2009	4
21		Construction of big check dam Gopalia and Charni-2 in Umarpada Taluka of Surat District	1.21	20-11-2009	16-11-2009	4

APPENDIX - VII

Statement showing the cases of Short tender notice
(Reference: Paragraph 3.1.4.2)

Sl. No	Name of the Division	Name of the work	Estimated cost (₹ in crore)	Tender cost (₹ in crore)	Date of dispatch of NIT/last date of receipt of bid	Gap between NIT and last date of receipt of bid (in days)	Prescribed gap between NIT and last date of receipt of bid (in days)	Short Gap (in days)
1	SSSC Division No.1, Mehsana	Construction of inlets, foot bridges, VRBs between chainage 158.970 to 228.240 km to SSSC	17.93	21.53	08-10-2008 27-10-2008	19	45	26
2		Construction of remaining work of canal syphon cross regulator, escape at Kharni river at chainage 210.230 km of SSS canal	2.14	3.44	21-02-2009 29-03-2009	36	45	9
3		Improvement of existing drain and Devada drain including construction/renovation of CD work along the drain of Mehsana District	3.37	2.98	15-01-2009 11-02-2009	27	45	18
4	SSSC Division No.2, Visnagar	Construction of canal syphon across river Saraswati at chainage 247.805 km on SSSC	20.06	20.77	20-08-2008 15-09-2008	26	45	19
5		Re-sectioning and regrading of drains and construction of new structures in network of drain in SSSC between 228.42 to 274.345 km	4.52	3.95	03-01-2009 28-01-2009	25	45	20
6	Drainage Division, Gandhinagar	Constructing VRBs on Khatriba-Gohela (drain) 7 m. Dehgam, Gandhinagar District	1.63	1.28	09-09-2010 04-10-2010	25	45	20
7	Irrigation Division, Ahmedabad	CC lining and other allied civil activities on Khari cut canal at various locations.	3.86	3.39	27-04-2010 07-05-2010	10	45	35

Sl. No	Name of the Division	Name of the work	Estimated cost (₹ in crore)	Tender cost (₹ in crore)	Date of dispatch of NIT/last date of receipt of bid	Gap between NIT and last date of receipt of bid (in days)	Prescribed gap between NIT and last date of receipt of bid (in days)	Short Gap (in days)
8	Panam Irrigation Division, Godhra	Constructing check dam of village Hamirpur and Karanpura on river Meshri near survey No. 31 and 49	1.39	1.06	16-11-2009 21-12-2009	35	45	10
9	Irrigation Project Division, Rajkot	Construction of earthwork and CD work for pipe canal of main canal and distributary	1.82	1.95	20-02-2009 09-03-2009	17	45	28
10	Tapi Embankment Division, Surat	Constructing sluice regulator across Variav Khadi, Toker Khadi and Panjar Khadi on bank of river Tapi	22.92	21.27	23-01-2009 21-02-2009	29	45	16
11		Constructing of sluice regulator across Valak Bhade Khadi, Valak Ghoda Khadi on left bank and Kathor samsashan Bhumi Khadi on right bank of river Tapi	16.7	15.86	02-03-2009 06-04-2009	35	45	10
12	Ver. II Project Division, Vyara	Construction of big check dam Vahar Amlidobada and Padmandan - 2 in Umarpada Taluka of Surat District	1.81	1.42	16-11-2009 10-12-2009	24	45	21
13		Construction of big check dam Padmandan and Chitalda in Umarpada Taluka of Surat District	1.99	1.56	16-11-2009 10-12-2009	24	45	21
14		Construction of big check dam Gopalia and Charni-2 in Umarpada Taluka of Surat District	1.21	0.96	16-11-2009 10-12-2009	24	45	21

APPENDIX - VIII

Statement showing the short period allowed for Bidding
(Reference: Paragraph 3.1.4.2)

Sl. No.	Name of Division	Name of works	Estimated cost (₹ in crore)	Tender cost (₹ in crore)	Date of tender uploading/ last date of downloading of bid	Gap between uploading and downloading (in days)	Prescribed gap between uploading and downloading (in days)	Short period for bidding (in days)
1	SSSC Division-1, Mehsana	Construction of inlets, foot bridges, VRBs between chainage 158.970 to 228.240 km to SSSC	17.93	21.53	17-10-2008 27-10-2008	10	30	20
2		Improvement of existing southern drain including construction/ renovation of CD work along the drain of Mehsana District	3.37	2.98	05-02-2009 11-02-2009	6	30	24
3		Construction of remaining work of canal syphon cross regulator, escape at Kharni river at ch. 210.230 km of SSSC	2.14	3.44	18-03-2009 29-03-2009	11	21	10
4	SSSC Division-2, Visnagar	Construction of inlets foot bridge, VRBs between chainage 228.42 to 274.345 km of SSSC	18.47	22.23	26-10-2008 10-11-2008	15	30	15
5		Construction of canal syphon across river Saraswati at chainage 247.805 km on SSSC	20.06	20.77	08-09-2008 15-09-2008	8	30	22
6		Re-sectioning and regrading of drains and construction of new structures in network of drain in SSSC between 228.42 to 274.345 km	4.52	3.95	19-01-2009 28-01-2009	10	30	20
7	Drainage Division, Gandhinagar	Constructing VRBs on Khatriba-Gohela (drain) 7 mt. Dehgam, District Gandhinagar	1.63	1.28	23-09-2010 04-10-2010	12	21	9
8	Kutchh Irrigation Construction Division, Bhuj	Construction of Faradi, Jakhaniya, Motirayan and Saniyasar check dam of Kutchh district package No. 20 (k 85, k 86, k 87 and k 88)	4.49	3.36	18-01-2009 05-02-2009	18	30	12
9		Barachiya-1, Barachiya-2, Barachiya-4 and Kankavati-4 checkdam of Kutchh District Package No. 7 (k 25, k 26, k 27 & k 28)	4.57	3.38	10-01-2009 22-01-2009	12	30	18

Sl. No.	Name of Division	Name of works	Estimated cost (₹ in crore)	Tender cost (₹ in crore)	Date of tender uploading/ last date of downloading of bid	Gap between uploading and downloading (in days)	Prescribed gap between uploading and downloading (in days)	Short period for bidding (in days)
10	Ahmedabad Irrigation Division, Ahmedabad	Replacing lining and repairing of structures of Kharicut main canal section 3-4 and various branch canals and distributaries of section 3-4	14.67	15.25	19-01-2011 04-02-2011	16	30	14
11		CC lining and other allied civil activities on Khari cut canal at various locations.	3.86	3.39	28-04-2010 07-05-2010	9	30	21
12		New Road bridge on Viramgam drain at chainage 2,460 m. and at chainage 5,825 m.	1.38	1.49	07-02-2012 21-02-2012	14	21	7
13	Irrigation Division, Himmatnagar	Restoration and Development of Pratapnagar Tank at Village Raygadh, Himatnagar	3.10	2.4	21-12-2009 02-01-2010	12	30	18
14	Panam Irrigation Division, Godhra	Constructing check dam of village Hamirpur and Karanpura on river Meshri near survey no. 31 and 49	1.39	1.06	13-12-2009 21-12-2009	8	21	13
15	Irrigation Project Division, Modasa	Construction of check dam across river Mazum near village Ambliyara Bayad Taluka	6.72	5.22	26-12-2008 02-01-2009	7	30	23
16	Irrigation Project Division, Rajkot	Earthwork and CD work for pipe canal of main canal and distributary	1.82	1.95	20-02-2009 09-03-2009	17	21	4
17	Tapi Embankment Division, Surat	Strengthening of existing RT wall along the bank of river Tapi	20.95	25.58	15-04-2008 05-05-2008	20	30	10
18		Constructing sluice regulator across Variav Khadi, Toker Khadi and Panjar Khadi on bank of river Tapi.	22.92	21.27	26-01-2009 21-02-2009	26	30	4

APPENDIX - IX

Statement showing the details of status of machinery and manpower furnished with the Pre-Qualification Bid without giving details
(Reference: Paragraph 3.1.5.2)

Name of work/Agreement No.	**Renovation and improvement of existing canals of Dholka Taluka in Fatewadi Command area (B-2/3 of 2011-12)**		**Replacing lining and repairing of structures of Khari Cut main canal section-3,4 and various branch canals and distributaries of section-3,4 (B-2/33 of 2011-12)**		**Renovation and improvement of existing Branch canal No-1 of SanandTaluka in Fatewadi Command area (B-2/49 of 2012-13)**	
Estimated cost	₹ 5.02 crore		₹ 14.67 crore		₹ 17.11 crore	
Tendered cost	₹ 4.55 crore		₹ 15.25 crore		₹ 18.17 crore	
Date of work order	6 April 2011		4 July 2011		3 October 2012	
Schedule date of completion	5 September 2012		3 January 2013		2 October 2015	
Progress of works (December 2013)	₹ 4.13 crore		₹ 14.81 crore		₹ 5.12 crore	
Technical staff (in numbers)						
Particulars	**Minimum**	**Filled by agency**	**Minimum**	**Filled by agency**	**Minimum**	**Filled by agency**
Site Engineers	2	5	10	10	3	5
Civil supervisors	4	5	20	15	6	10
Technical assistants	6	10	30	25	6	10
Machinery/equipment (in numbers/sets)						
Particulars	**Minimum**	**Filled by agency**	**Minimum**	**Filled by agency**	**Minimum**	**Filled by agency**
Excavators	4	2	10	2	3	4
Tippers/dumpers	6	6	30	8	10	15
Water tankers	5	10	30	15	3	4
Machinery for paver lining with paver#	5 set	1 set	5 set	1 set	2 set	2 set
Transit Mixers*	8	0	0	0	--	--
Dewatering Pumps	NR	NR	NR	NR	5	7
Cranes	NR	NR	NR	NR	1	Nil

* required for carting the ready mix concrete (RMC) from manufacturing plant to work site

required for laying RMC on work site

NR – Not Required

APPENDIX - X

Statement showing the details of undue benefit to contractors on account of Security Deposit

(Reference: Paragraph 3.1.6)

(₹ in crore)

Sl. No.	Name of Division	Name of work	EC	Total security deposit payable			Total security deposit paid			Financial benefit
				before work order		from RA Bills	before work order		from RA Bills	
				TDRs/SSCs	BG		TDRs/SSCs	BG		
1	Irrigation Division, Himmatnagar	EPC contract of two pumping stations for KDLIP based on Dharoi Reservoir	23.16	0.58	1.16	0.58	0	3.47	0.00	1.16
2	Panam Project Division, Godhra	Construction of Left Bank Main Canal between chainage 0 m to 11,550 m of PHLCP	10.77	0.27	0.54	0.27	0.09	0.34	0.10	0.89
3	Irrigation Project Division, Modasa	Construction of big check dam at village Kolundra on Mazum River	2.08	0.05	0.10	0.05	0.05	0.10	0.03	0.02
4		construction of check dam across Mazum river near Pahadpur	1.55	0.04	0.08	0.04	0.04	0.08	0.00	0.12
5		Construction of check dam across Mazum river near Khadoda	1.67	0.04	0.08	0.04	0.04	0.08	0.00	0.12
6		ERM of Meshwo dam and its canal systems	4.95	0.12	0.25	0.12	0.12	0.25	0.07	0.05
7	Ver-II Division, Vyara	Construction of big check dam Vahar A mlidobada and Padmandan-2.	1.81	0.05	0.09	0.05	0.05	0*	0.12	0.07
8		Construction of big check dam Gopalia & Charni-2.	1.21	0.03	0.06	0.03	0.03	0*	0.09	0.06
9		Construction of big check dam Padmandan and Chitalda.	1.99	0.05	0.10	0.05	0.05	0*	0.15	0.10
10		Earthwork and lining works for construction of Ukai Left bank high level canal	7.91	0.20	0.40	0.20	0.20	0.40	0.13	0.07
	Total									**2.66**

* recovered from first two RA bills

APPENDIX - XI

Statement showing the non-recovery/non-provision of recovery of difference of cost of cement used in mix design
(Reference: Paragraph 3.1.9.4)

Sl. No	Name of the Division	Name of the work	Grade of CC	Total quantity executed during work (cum)	Rate of cement consumption (cum/kg)		Saving (cum/kg)	Total saving (in MT)	Input Rate of cement (₹ per MT)	Recoverable amount (₹ in lakh)	Total recoverable Amount (₹ in lakh)
					As per Estimates	As per mix design					
1	Panam Irrigation Division, Godhra	Constructing check dam of village Hamirpur and Karanpura on river Meshri near survey No. 31 & 49.	M-15	3,967.94	320	302	18	71.42	4,400	3.14	3.14
2	Watrak Project Canal Division, Modasa	Construction new remaining works between chainage 27.700 km to 74.000 (Inlets pipe, drains, HR FOB Protection works etc.)	M-15	7,557.33	300	275	25	188.933	4,300	8.12	1.13[1]
			M-20	1,435.71	400	374	26	37.328	4,300	1.61	
			M-25	692.31	450	394	56	38.769	4,300	1.67	
3	Irrigation Division, Ahmedabad	Constructing new road bridge on various drains of Viramgam & Mandal Taluka of Ahmedabad	M-15	6,907.96	300	278	22	151.975	4,200	6.38	5.62[2]
			M-25	3,696.68	450	394	56	207.614	4,200	8.69	
4	Drainage Division, Gandhinagar	EPC contract for construction of pumping station supplying and laying of 2350 mm dia 14 MS thick MS pipeline from NMC near Changa village to SSSC.	M-15	6.31	320	280	40	0.2524	4,300	0.01	23.18
			M-20	1,425.823	400	330	70	99.807	4,300	4.29	
			M-25	5,291.264	450	367	83	439.175	4,300	18.88	

[1] Recovered ₹ 10.27 lakh from RA bills
[2] Recovered ₹ 9.45 lakh from RA bills

Sl. No	Name of the Division	Name of the work	Grade of CC	Total quantity executed during work (cum)	Rate of cement consumption (cum/kg)		Saving (cum/kg)	Total saving (in MT)	Input Rate of cement (₹ per MT)	Recoverable amount (₹ in lakh)	Total recoverable Amount (₹ in lakh)
					As per Estimates	As per mix design					
5	Drainage Division, Gandhinagar	EPC contract for construction of pumping station laying of 2150 mm dia MS pipeline from SSS canal to Bhadnath	M-15	6.31	320	280	40	0.252	4,300	0.01	14.46
			M-20	1,419.841	400	330	70	99.389	4,300	4.27	
			M-25	2,851.68	450	367	83	236.689	4,300	10.18	
6		EPC contract for construction of pumping station laying of 2150 mm dia MS pipeline from Bhadnath to Dantiwada	M-15	6.31	320	280	40	0.252	4,300	0.01	12.40
			M-20	1,033.508	400	330	70	72.346	4,300	3.11	
			M-25	2,600.993	450	367	83	215.882	4,300	9.28	
7	Watrak Project Canal Division, Modasa	EPC contract for construction of pump station and laying of pipe from NMC chainage 153.259 km to Watrak dam Package -I	M-15	975.986	320	300	20	19.520	4,300	0.84	7.29
			M-20	1,322.74	400	360	40	52.910	4,300	2.28	
			M-25	4.99	425	400	25	0.125	4,300	0.005	
			M-30	1,368.62	500	430	70	95.803	4,300	4.12	
8		EPC contract for construction of pump station and laying of pipe from NMC chainage 153.259 km to Watrak dam Package-II	M-15	1,932.295	320	300	20	38.646	4,300	1.66	7.30
			M-20	3272.64	400	360	40	130.906	4,300	5.63	
			M-25	9.98	425	400	25	0.250	4,300	0.01	
9	Irrigation Construction Division, Bhuj	Construction of Kosavadar Bandhara across Mitti river in AbdasaTaluka	M-20	25,719	440	310	130	3,343.47	3,009	100.61	100.61

Sl. No	Name of the Division	Name of the work	Grade of CC	Total quantity executed during work (cum)	Rate of cement consumption (cum/kg)		Saving (cum/kg)	Total saving (in MT)	Input Rate of cement (₹ per MT)	Recoverable amount (₹ in lakh)	Total recoverable Amount (₹ in lakh)
					As per Estimates	As per mix design					
10	Irrigation Construction Division, Bhuj	Construction of Waste Weir and earthen dam on Khirasara - Piper bandhara on Sangi river	M-15	5,203.89	320	280	40	208.156	4,080	8.49	38.92
			M-20	6,215.79	440	320	120	745.895	4,080	30.43	
11	Irrigation Project Division, Rajkot	Construction of earthwork and CD work of main canal and distributary for Bhadar II Water Resources Project.	M-15	1,865.01	320	283	37	69.01	3,360	2.32	16.81
			M-15	780.86	320	283	37	28.89	3,360	0.97	
			M-20	4,827.81	440	360	80	386.22	3,360	12.98	
			M-20	202.09	440	360	80	16.17	3,360	0.54	
12	Irrigation Project Division, Bhavnagar	EPC contract for construction of pumping station at Botad branch canal near ch. 47350 m and supplying and laying 2350 mm dia M5 pipeline from PS to Paliyad and 610 mm dia MS pipeline from Paliyad to Goma Canal	M-15	203.95	310	300	10	2.039	5,400	0.11	9.60
			M-20	2,217.649	400	360	40	88.706	5,400	4.79	
			M-25	1,739.86	450	400	50	86.993	5,400	4.70	
	Total										**240.46**

Appendix-XII
Statement showing the details of incomplete irrigation work
(Reference: Paragraph 3.2.3)

Sl. No.	Name of Division	Name of Work	Estimated cost (₹ in crore)	Tender Cost (₹ in crore)	Payment made (₹ in crore)	Month & Year of work order	Stipulated date of completion	Month & year of stop of work	Expenditure booked (₹ in crore)	Benefit envisaged in the project/work	
										No. of village	Land in ha
1	Dahoda Irrigation Division, Dahod	Koliyari Irrigation Scheme	2.71	4.63	3.36	Jan-96	May-99	Apr-05	20.88	6	1,910
2	Junagadh Irrigation Project Division, Junagadh	Construction of Bhakharvad Recharging Reservior Scheme	14.31	13.70	13.82	Jul-04	Jul-07	Apr-07	21.01	3	1,500
3	Junagadh Irrigation Project Division, Junagadh	Construction of LBMC earthwork and CD works of Sabli Water Resources Project	0.62	0.55	0.21	Apr-08	Mar-09	Jul-09	20.22	5	1,219
4	Und Irrigation Division, Jamnagar	Construction of earthwork and CD work for LBMC of Mahadevia Minor Irrigation Scheme	0.11	0.09	0.03	Aug-10	Jul-11	Jul-11	1.56	1	134
5	Und Irrigation Division, Jamnagar	Construction of earthwork/ excavation, CD works and outlay for RBMC and Minor-4 of Minsar (Vanvad) Water Resources Project	1.68	1.16	0.00	Jan-11	Dec-11	Dec-12	10.16	5	1,065
6	Salinity Control Division, Bhavnagar	Construction of spreading channel between Visaliya Bhandara to Samadhiyala Bandhara	1.04	0.72	0.36	Feb-09	Dec-09	Oct-10	0.36	3	315

Sl. No.	Name of Division	Name of Work	Estimated cost (₹ in crore)	Tender Cost (₹ in crore)	Payment made (₹ in crore)	Month & Year of work order	Stipulated date of completion	Month & year of stop of work	Expenditure booked (₹ in crore)	Benefit envisaged in the project/work	
										No. of village	Land in ha
7	Salinity Control Division, Porbandar	Construction of spreading channel between Pachhatar and Kolikhada villages in Porbandar	19.77	21.13	12.00	Sep-08	Sep-11	Sep-11	12.00	11	3,480
8	Salinity Control Division, Porbandar	Link canal between Devka and Khari Rivers in Veraval takuka	0.92	0.92	0.91	Feb-09	Jan-10	Jul-10	0.91	9	1,029
9	Salinity Control Division, Porbandar	Tobra Sati Aiya vari Canal from Kerly TR near village Odedara	0.61	0.51	0.20	Mar-11	Feb-12	Jun-11	0.20	1	450
10	Salinity Control Division, Porbandar	spreading Channel joining to river Netravati to Madhuvati River	2.37	1.58	2.26	Jun-09	May-10	Jun-10	2.26	3	1,100
11	Damanganga Canal Investigation Division, Valsad	Construciton of Umargam Distributories as Underground pipeline between chainage 0 to 17,610 m	6.70	5.11	5.97	Oct-02	Oct-04	Mar-12	7.86	6	1,203
12	Project Construction Division-IV, Rajkot	Construction of Ghatila Bandhara	4.40	3.25	0.10	Mar-08	Sep-09	Apr-08	0.10	0	0
Total			**55.24**	**53.35**	**39.22**				**97.52**	**53**	**13,405**

APPENDIX - XIII

Statement showing the excess payment of Price Variation
(Reference: Paragraph 3.5.1)

Name of the Division	Name of the Work (Agreement No.) and month in which DTP was approved	Quarter	Qty. in MT consumed	Price variation payable based on WPI of RBI with base year 1993-94	Price variation based on 2004-05 base year RBI WPI	Short recoveries/ excess payments
Roads & Buildings Division, Dahod	Construction of PTC college and Hostel Building at Devgadh Bariya (B2/50 2008-09) - DTP approved in May 2008			**Cement**		
		1 Qtr 2009	3.85	83.12	1,132.44	1,049.32
		2 Qtr 2009	291.4	36,750.60	1,20,500.45	83,749.85
		3 Qtr 2009	404	56,403.78	1,82,201.92	1,25,798.14
		4 Qtr 2009	380.45	-6,412.40	1,58,586.25	1,64,998.65
		1 Qtr 2010	494.45	-84,709.02	2,31,684.62	3,16,393.64
		2 Qtr 2010	133.6	3,784.53	70,132.62	66,348.09
		3 Qtr 2010*	111.802	-25,562.64	67,105.92	92,668.56
		Total		**-19,662.03**	**8,31,344.22**	**8,51,006.25**
				Steel		
		1 Qtr 2009	0	0.00	0.00	0.00
		2 Qtr 2009	55.665	-5,12,998.82	46,055.89	5,59,054.71
		3 Qtr 2009	109.515	-9,49,646.47	90,610.10	10,40,256.57
		4 Qtr 2009	93.868	-8,00,641.30	-2,14,500.96	5,86,140.34
		1 Qtr 2010	118.231	-9,25,668.92	-4,70,474.86	4,55,194.06
		2 Qtr 2010	49.097	-63,132.59	-1,95,370.96	-1,32,238.37
		3 Qtr 2010*	2.41	-3,308.38	-9,590.08	-6,281.70
		Total		**-32,55,396.48**	**-7,53,270.87**	**25,02,125.61**
		Excess payment/short recovery		**-32,75,058.51**	**78,073.35**	**33,53,131.86**
Sujalam Sufalam Division No.1, Mehsana	Construction of inlet foot bridge, additional WRBs between chainage 158.970 to 174.500 km and 191.500 to 228.420 km of Sujalam Sufalam Spreading Canal (B2/2 of 2008-09) - DTP approved in October 2008			**Cement**		
		1 Qtr 2009	619.25	-25,447.05	2,38,089.00	2,63,536.05
		2 Qtr 2009	2861.2	2,32,913.62	15,12,602.00	12,79,688.38
		3 Qtr 2009	3,034.15	2,94,980.82	17,33,653.00	14,38,672.18
		4 Qtr 2009	703.6	-60,612.77	3,71,965.00	4,32,577.77
		1 Qtr 2010	308.05	-82,300.48	1,82,594.00	2,64,894.48
		2 Qtr 2010	621.35	-20,627.05	4,11,433.00	4,32,060.05
		3 Qtr 2010*	998.8	-3,33,941.60	7,51,767.42	10,85,709.02
		Total		**4,965.49**	**52,02,103.42**	**51,97,137.93**

Name of the Division	Name of the Work (Agreement No.) and month in which DTP was approved	Quarter	Qty. in MT consumed	Price variation payable based on WPI of RBI with base year 1993-94	Price variation based on 2004-05 base year RBI WPI	Short recoveries/ excess payments
Sujalam Sufalam Division No.1, Mehsana	Construction of inlet foot bridge, additional WRBs between chainage 158.970 to 174.500 km and 191.500 to 228.420 km of Sujalam Sufalam Spreading Canal (B2/2 of 2008-09) - DTP approved in October 2008			**Steel**		
		1 Qtr 2009	211.486	-16,18,094.81	-1,01,289.00	15,16,805.81
		2 Qtr 2009	229.997	-19,43,959.01	-1,10,155.00	18,33,804.01
		3 Qtr 2009	232.806	-18,54,491.02	-1,11,500.00	17,42,991.02
		4 Qtr 2009	16.905	-1,32,518.96	-53,731.00	78,787.96
		1 Qtr 2010	23.612	-1,70,330.15	-1,10,003.00	60,327.15
		2 Qtr 2010	49.774	-68,151.72	-2,31,886.00	-1,63,734.28
		3 Qtr 2010*	102.938	-1,48,934.56	-4,81,470.13	-3,32,535.57
		Total		**-59,36,480.23**	**-12,00,034.13**	**47,36,446.10**
		Excess payment/short recovery		**-59,31,514.74**	**40,02,069.29**	**99,33,584.03**
Sujalam Sufalam Division No.2, Visnagar	Construction of inlet foot bridge, additional WRBs between chainage 228.42 to 274.345 km of Sujalam Sufalam Spreading Canal (B2/63 of 2008-09) - DTP approved in September 2008			**Cement**		
		1 Qtr 2009	163.75	-6,035.05	44,380.45	50,415.50
		2 Qtr 2009	4459.2	2,98,833.50	17,61,040.98	14,62,207.48
		3 Qtr 2009	663.2	53,338.59	2,84,699.04	2,31,360.45
		4 Qtr 2009	347.6	-26,090.04	1,37,275.26	1,63,365.30
		1 Qtr 2010	920.4	-2,10,358.22	4,07,268.57	6,17,626.79
		2 Qtr 2010	2966.2	-89,459.96	14,60,174.72	15,49,634.68
		3 Qtr 2010*	285.45	-81,499.59	1,60,096.67	2,41,596.26
		Total		-61,270.77	42,54,935.69	43,16,206.46
				HYSD Steel		
		1 Qtr 2009	31.291	-2,50,986.99	-1,18,806.53	1,32,180.46
		2 Qtr 2009	287.831	-25,31,498.48	-15,12,958.34	10,18,540.14
		3 Qtr 2009	50.901	-4,23,760.84	-3,11,259.16	1,12,501.68
		4 Qtr 2009	25.565	-2,09,701.74	-1,69,255.60	40,446.14
		1 Qtr 2010	72.226	-5,48,805.19	-4,23,057.83	1,25,747.36
		2 Qtr 2010	221.956	-4,33,036.46	-5,27,234.76	-94,198.30
		3 Qtr 2010*	20.787	-42,114.44	-90,426.24	-48,311.80
		Total		-44,39,904.14	-31,52,998.46	**12,86,905.68**

Name of the Division	Name of the Work (Agreement No.) and month in which DTP was approved	Quarter	Qty. in MT consumed	Price variation payable based on WPI of RBI with base year 1993-94	Price variation based on 2004-05 base year RBI WPI	Short recoveries/ excess payments
Sujalam Sufalam Division No.2, Visnagar	Construction of inlet foot bridge, additional WRBs between chainage 228.42 to 274.345 km of Sujalam Sufalam Spreading Canal (B2/63 of 2008-09) - DTP approved in September 2008			**Structured Steel**		
		1 Qtr 2009	0	0.00	0.00	0.00
		2 Qtr 2009	13.586	4,322.58	-10,314.37	-14,636.95
		3 Qtr 2009	113.764	-24,804.08	-2,63,268.10	-2,38,464.02
		4 Qtr 2009	8.151	-3,962.08	-5,964.50	-2,002.42
		1 Qtr 2010	176.055	-85,577.62	-4,55,730.04	-3,70,152.42
		2 Qtr 2010	27.17	-13,206.92	-1,82,165.65	-1,68,958.73
		3 Qtr 2010*	0	0.00	0.00	0.00
		Total		-1,23,228.12	-9,17,442.66	**-7,94,214.54**
		Excess payment/short recovery		**-46,24,403.03**	**1,84,494.57**	**48,08,897.60**
	Grand Total			**-1,38,30,976.28**	**42,64,637.21**	**1,80,95,613.49**

* Proportionate quantities executed and July 2010 Wholesale Price Indices of RBI were considered in the calculation

APPENDIX - XIV

Statement showing the details of quantities executed in excess of 130 *per cent* of the estimated quantities

(Reference: Paragraph 3.5.3)

Sl. No.	Item No.	Description of work	Tender Quantity	Unit	Tendered Rate (₹)	Tender Rate (including rebate of 2.85 *per cent*) (₹)	Quantity of work executed	Qty up to 130 *per cent*	Excess over 130 *per cent* Qty (i.e. Col.5 - 130 *per cent* of Col.3)	Current SOR (₹)	Percentage of increase between tendered rates and SOR rates	Amount paid for execution of quantities in excess of 130 *per cent* (₹ in lakh)	Amount payable had it been done at the tender rate (₹ in lakh)	Excess amount paid (₹ in lakh)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**
1	1.13	Sand filling with coarse sand 150 mm thick layer.	20,565	cum	225	218.59	28,149.259	26,734.50	1,414.76	285.83	30	4.03	3.09	0.95
2	1.16	Material conveyance charge	50	cum	100	97.15	5,962.05	65.00	5,897.05	106.47	10	6.28	5.73	0.55
3	1.56	Flame finishing/ river wash finishing extra labour charges for flame finishing or river wash finishing of the stones.	12,000	sqm	200	194.30	52,066.39	15,600.00	36,466.39	350.00	80	127.63	70.85	56.78
4	1.92	Chain Link Jali providing, fabrication and fixing Jali *etc.*	50	m	2,000	1943.00	703.66	65.00	638.66	3,138.00	62	20.04	12.41	7.63
Total												**157.99**	**92.08**	**65.91**

APPENDIX - XV

Statement showing the details of Power Factor Adjustment Charges (PFAC) paid by the division

(Reference: Paragraph 3.5.5)

Month & Year	Sargasan pumping station (HT-8000500) (Contract Demand-400 KW)		Jashpur Sewage treatment plant (HT-19512) (Contract Demand-750 KVA)		Sarita Udyan water works (HT-8000556) (Contract Demand-1000 KW)		Chharodi Water Works (HT-8000501) (Contract Demand-1200 KW)	
	Power factor adjustment charges (in ₹)	Power factor (in *per cent*)	Power factor adjustment charges (in ₹)	Power factor (in *per cent*)	Power factor adjustment charges (in ₹)	Power factor (in *per cent*)	Power factor adjustment charges (in ₹)	Power factor (in *per cent*)
Apr-09	29,122.50	79.00	540.95	89.90	Nil	91.00	39,245.40	83.00
May-09	29,646.00	80.00	9,395.18	88.50	Nil	91.00	25,774.80	86.00
Jun-09	13,239.00	85.00	31,775.08	85.80	Nil	91.00	29,860.50	85.00
Jul-09	Nil	98.00	52,073.60	83.60	Nil	92.00	23,872.80	86.00
Aug-09	Nil	96.00	69,091.15	81.40	Nil	92.00	29,214.00	85.00
Sep-09	Nil	94.00	3,9333.5	85.20	Nil	91.00	28,659.00	85.00
Oct-09	Nil	99.00	64,075.73	81.20	Nil	91.00	25,477.20	86.00
Nov-09	Nil	91.00	16,481.65	87.60	Nil	90.00	18,584.10	87.00
Dec-09	Nil	94.00	68,566.85	82.40	Nil	90.00	13,105.20	88.00
Jan-10	Nil	92.00	34,529.21	84.70	Nil	91.00	25,507.20	86.00
Feb-10	10,812.00	85.00	84,363.34	80.30	4,086.00	89.00	22,875.60	86.00
Mar-10	Nil	90.00	32,672.22	84.90	Nil	92.00	N.A.	N.A.
Apr-10	12,070.50	85.00	Nil	95.30	8,333.40	88.00	37,252.80	84.00
May-10	Nil	90.00	Nil	94.10	3,827.40	89.00	27,270.00	86.00
Jun-10	5,361.00	88.00	Nil	92.70	Nil	90.00	18,417.60	87.00
Jul-10	18,186.00	85.00	95,184.18	80.50	3,839.70	89.00	27,229.20	86.00
Aug-10	30,337.20	81.00	1,48,814.64	77.10	4,350.00	89.00	12,756.00	88.00
Sep-10	12,500.40	86.00	83,516.16	81.10	N.A.	N.A.	18,511.20	87.00
Oct-10	20,594.70	83.00	1,69,672.62	74.50	3,986.70	89.00	25,573.20	86.00
Nov-10	26,802.00	80.00	2,29,697.21	69.20	4,258.80	89.00	29,578.50	85.00
Dec-10	33,760.80	78.00	2,25,831.53	68.90	7,778.40	88.00	40,639.20	83.00
Jan-11	14,137.50	85.00	N.A.	N.A.	8,304.60	88.00	17,334.90	87.00
Feb-11	7,641.00	87.00	1,82,949.47	69.70	8,039.40	88.00	32,482.80	84.00
Mar-11	8,298.90	87.00	14,711.81	75.20	3,566.70	89.00	23,991.60	86.00
Apr-11	18,351.90	83.00	75,512.58	81.00	4,014.30	89.00	18,031.50	87.00
May-11	13,732.50	85.00	21,222.20	86.30	8,005.20	88.00	20,534.40	87.00
Jun-11	14,640.00	85.00	32,771.86	84.60	8,287.80	88.00	28,812.00	86.00

Month & Year	Sargasan pumping station (HT-8000500) (Contract Demand-400 KW)		Jashpur Sewage treatment plant (HT-19512) (Contract Demand-750 KVA)		Sarita Udyan water works (HT-8000556) (Contract Demand-1000 KW)		Chharodi Water Works (HT-8000501) (Contract Demand-1200 KW)	
	Power factor adjustment charges (in ₹)	**Power factor (in *per cent*)**	**Power factor adjustment charges (in ₹)**	**Power factor (in *per cent*)**	**Power factor adjustment charges (in ₹)**	**Power factor (in *per cent*)**	**Power factor adjustment charges (in ₹)**	**Power factor (in *per cent*)**
Jul-11	24,318.00	83.00	61,964.76	82.90	7,940.40	88.00	33,544.50	85.00
Aug-11	23,491.80	84.00	96,111.76	80.60	3,276.00	88.00	39,861.00	84.00
Sep-11	27,093.60	82.00	1,29,662.99	77.40	7,910.40	88.00	49,258.80	84.00
Oct-11	24,801.60	82.00	69,428.83	79.40	7,883.40	88.00	55,730.40	82.00
Nov-11	17,380.80	84.00	1,73,493.80	71.70	11,945.70	87.00	53,611.20	81.00
Dec-11	11,899.20	86.00	1,13,711.29	76.40	3,798.30	89.00	47,215.20	82.00
Jan-12	23,258.40	82.00	1,25,106.74	75.20	3,821.70	89.00	53,838.00	81.00
Feb-12	11,002.80	86.00	1,36,379.53	74.20		89.00	55,000.80	82.00
Mar-12	11,670.00	86.00	1,20,308.76	75.80	Nil	90.00	50,508.00	82.00
Apr-12	25,185.60	81.00	27,963.31	84.90	Nil	90.00	54,307.20	82.00
May-12	24,267.60	81.00	6,280.13	88.60	Nil	90.00	47,989.20	83.00
Jun-12	27,504.90	81.00	19,845.00	86.50	1,216.30	89.00	43,317.00	84.00
Jul-12	31,521.00	80.00	6,712.02	88.60	3,855.90	89.00	41,925.60	82.00
Aug-12	3,260.70	89.00	70,282.80	80.00	Nil	90.00	38,229.00	85.00
Sep-12	Nil	92.00	45,348.66	83.00	Nil	90.00	47,623.20	82.00
Oct-12	9,571.50	87.00	25,693.92	85.20	N.A.	N.A.	41,757.00	80.00
Nov-12	5,777.40	88.00	1,05,106.85	75.70	750.00	89.00	43,622.70	79.00
Dec-12	3,132.90	89.00	51,616.00	81.60	750.00	89.00	39,177.60	83.00
Jan-13	Nil	92.00	85,954.18	76.10	8,057.40	88.00	55,461.60	82.00
Feb-13	Nil	94.00	51,321.65	81.70	3,829.50	89.00	32,217.60	82.00
Mar-13	Nil	94.00	0.00	95.00	Nil	92.00	23,360.40	83.00
	6,24,371.70		**33,05,075.70**		**1,45,713.40**		**16,08,146.70**	
	Total PFAC paid							**56,83,307.50**

Note:

1. Details for the month of January 2011 in respect of HT-19512; September 2010 and October 2012 in respect of HT-8000556; and March 2010 in respect of HT 8000501 were not made available to audit.
2. Power supply companies calculate and recover penalty in different ways *i.e.* if PF is less than 90 *per cent*, (i) PF charges for every 1 or 2 *per cent* drop below 90 *per cent* or 85 *per cent* respectively on the total amount of energy charges or (ii) PF charges for every 1 *per cent* drop below 90 *per cent* penalty of 3.00 paise *per* unit.