सत्यमेव जयते

# Report of the
# Comptroller and Auditor General of India
# on
# Economic Sector
# for the year ended March 2017

भारतीय लेखापरीक्षा और लेखा विभाग ✦ INDIAN AUDIT AND ACCOUNTS DEPARTMENT

## Government of Maharashtra
## Report No. 1 of the year 2018

# Report of the Comptroller and Auditor General of India

**on**

**Economic Sector**

**for the year ended March 2017**

**GOVERNMENT OF MAHARASHTRA**
**Report No. 1 of the year 2018**

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# Preface

This Report for the year ended 31 March 2017 has been prepared for submission to the Governor of the State of Maharashtra under Article 151 of the Constitution of India.

This Report relates to audit of the Economic Sector of the Government departments conducted under the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and Regulations on Audit and Accounts, 2007 issued thereunder by the Comptroller and Auditor General of India. This Report is required to be placed before the State Legislature under Article 151 (2) of the Constitution of India.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards (March 2002) issued by the Comptroller and Auditor General of India.

# CHAPTER - I

# INTRODUCTION

# CHAPTER I

# INTRODUCTION

## 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Performance Audit of selected schemes and activities and compliance audit of Government Departments and Autonomous Bodies of the Government of Maharashtra (GoM) falling under Economic Sector.

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 the competent authorities are being complied with. On the other hand, Performance Audit examines whether the objectives of an organisation, programme or a scheme have been achieved economically, efficiently and effectively.

The primary purpose of this 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 improved operational efficiency and financial management of the organisations thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies in working of selected schemes/projects, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter II of this Report contains findings arising out of one Performance Audit. Chapter III contains observations on audit of transactions in Government Departments and on Autonomous Bodies.

## 1.2 Audited entity profile

The Departments in the Economic Sector in the State at the Secretariat level headed by Additional Chief Secretaries/Principal Secretaries/Secretaries and assisted by Directors/Commissioners and sub-ordinate officers and Autonomous Bodies are audited by the Principal Accountant General (Audit)-I, Maharashtra, Mumbai and the Accountant General (Audit)-II, Maharashtra, Nagpur.

A summary of the State Government's fiscal transactions during 2016-17 *vis-a-vis* the previous year is given in **Table 1.1**.

**Table 1.1: Summary of Fiscal operations during 2016-17**

**(₹ in crore)**

| 2015-16 | Receipts | 2016-17 | 2015-16 | Disbursements | 2016-17 | | |
|---|---|---|---|---|---|---|---|
| **Section-A: Revenue** | | | | | **Non-Plan** | **Plan** | **Total** |
| **185036** | **Revenue receipts** | **204693** | **190374** | **Revenue expenditure** | **171140** | **42089** | **213229** |
| 126608 | Tax revenue | 136616 | 64370 | General services | 70851 | 758 | 71609 |
| 13423 | Non-tax revenue | 12709 | 82317 | Social services | 63956# | 26326* | 90282 |
| 28106 | Share of Union Taxes/Duties | 33715 | 38052 | Economic services | 29006 | 14837 | 43843 |
| 16899 | Grants from Government of India | 21653 | 5635 | Grants-in-aid and Contributions | 7327 | 168 | 7495 |
| **Section B: Capital and Others** | | | | | | | |
| 17 | Miscellaneous Capital Receipts | 0 | 22793 | Capital Outlay | 5201 | 20348 | 25549 |
| 865 | Recoveries of Loans and Advances | 1746 | 1115 | Loans and Advances disbursed | -- | -- | 6277 |
| 37977* | Public debt receipts$ | 48336 | 10043 | Repayment of Public Debt$ | -- | -- | 11887 |
| 2962 | Appropriation from Contingency fund | 0 | 962 | Appropriation to Contingency fund | -- | -- | 0 |
| 962 | Contingency Fund | 0 | 2962 | Contingency Fund | -- | -- | 0 |
| 72747 | Public Account Receipts | 82466 | 66412 | Public Account Disbursements | -- | -- | 67102# |
| 49648 | Opening Cash Balance | 55553 | 55553 | Closing Cash Balance | -- | -- | 68750 |
| **350214** | **Total** | **392794** | **350214** | **Total** | **--** | **--** | **392794** |
| Source: Finance Accounts of respective years | | | | | | | |

$ Excluding ways and means advances (Receipt: ₹ nil and Disbursement: ₹ nil)

*Higher rounding #Lower rounding

## 1.3 Authority for audit

The authority for audit by the C&AG is derived from 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 GoM under the provisions of the C&AG's (DPC) Act, 1971 and Regulations on Audit and Accounts, 2007 issued by the C&AG.

## 1.4 Organisational structure of the offices of the Principal Accountant General (Audit)-I, Maharashtra, Mumbai and the Accountant General (Audit)-II, Maharashtra, Nagpur

Under the directions of the C&AG, the Offices of the Principal Accountant General (Audit)-I, Maharashtra, Mumbai and the Accountant General (Audit)-II, Maharashtra, Nagpur conduct the audit of the various Government Departments and Offices/Autonomous Bodies/Institutions under them. While 17 districts from Konkan and Western Maharashtra fall under the audit jurisdiction of the Principal

Accountant General (Audit)-I, Maharashtra, Mumbai, the remaining 19 districts from Vidarbha and Marathwada are under the audit jurisdiction of the Accountant General (Audit)-II, Maharashtra, Nagpur.

## 1.5 Planning and conduct of audit

The audit process starts with the assessment of risk faced by various departments of the GoM, based on expenditure incurred, criticality/complexity of activities, the levels of delegated financial powers and 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. During 2016-17, 3,197 party-days were used to carry out audit of 266 units (compliance and performance audits) of the various Departments/Organisations. The audit plan covered those units/entities which were vulnerable to significant risks as perceived by Audit.

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

## 1.6 Significant audit observations

### 1.6.1 Performance audit of programmes/activities/Departments

The significant findings of Performance Audit are discussed below.

- **Gosikhurd National Irrigation Project**

  A Performance Audit of the Gosikhurd National Irrigation Project for the period 2012-17 revealed that due to faulty survey, there were overlaps in the irrigable command area, which necessitated changes in scope of the project. The works either could not start or were delayed after issue of work order due to non-acquisition of private/forest land. The time over-run coupled with deficient planning and preparation led to huge cost escalation from ₹ 372 crore to ₹ 18,494.57 crore. Further, due to irregularities in execution of the project, there was shortfall in release of funds by GoI. Though, the cost of project has been revised for the third time but sanction for revision is awaited from Central Water Commission for want of viable funding plan.

  There was sub-standard execution of works in many components of the project. Certain works were not executed as per the approved drawings and design. Instances of delayed execution were also noticed owing to non-availability of land, non-approval of drawings and design and failure to obtain permissions from various authorities. Despite the importance of the project, rectification work was also being carried out at a slow pace. The estimates were not prepared with due diligence resulting in execution of extra items or excess quantities than estimated. There were several instances where the manual provisions and contract conditions were violated resulting in granting of undue benefit to the contractors.

The rehabilitation of Project Affected Persons (PAPs) was delayed as the required amenities were either not created or were incomplete. In some cases, the amenities for PAPs were created much earlier than the actual rehabilitation resulting in deterioration for want of proper maintenance. Cases of double payment of compensation and delayed payment were noticed leading to financial burden on the public exchequer.

The irrigation potential created (50,317 hectares) was far less than the target (2,50,800 hectares) and the created potential was not utlised fully. 45 water users associations for optimum and efficient utilization of water for irrigation purpose were created against the target of 387 Water Users Associations. The pan-evaporimeters to monitor evaporation losses were not installed. Despite being responsible for execution of enlisted national project, insufficient inspections of works were carried out by the departmental authorities, thereby resulting in substandard quality. Catchment Area Treatment plan to monitor siltation in the dam was not prepared. The dam water was getting polluted due to release of sewage in connecting rivers.

***(Paragraph 2.1)***

### 1.6.2 Compliance audit of Government transactions

The important findings of compliance audit paragraphs are discussed below:

- **Working of Co-operative Spinning Mills in Maharashtra**

  The Cooperative spinning mills (CSMs) in Maharashtra are registered under the Maharashtra Cooperative Societies Act, 1960 to promote self-reliance and the sense of co-operation among cotton growers; to realise appropriate price for cotton and produce yarn of various counts and to sell them to the weavers and thereby improving the financial status of the cotton growers in the state.

  The State Cooperative Council was not established to address the issues faced by the CSMs. No plan was prepared to ensure utilisation of cotton production in the State and for producing yarn to meet the requirement of weaving industries.

  There were instances of excess release of funds to CSMs from the GoM. In the majority of cases, CSMs failed to mobilise minimum required members' share capital (five *per cent* of the project cost).

  Only 66 mills were functional out of 130 CSMs which had received financial assistance from the Government. The performance of the mills in terms of profitability was far from satisfactory and only seven mills out of 130 recorded profits in the past five years. Refund of financial assistance availed by the CSMs was very poor. In majority of cases, reserve fund for redemption of GoM share capital was not created by most of the CSMs.

  The recovery of loans taken from State Government/National Co-operative Development Corporation was meagre and there were huge outstanding dues. Records for monitoring the progress of construction of mills and to watch Government recovery were not being properly maintained at the Directorate level. There was shortfall in supervision by the Regional Deputy Directors. The State Government did not ensure mortgaging of the mills' property to safeguard the Government investment.

***(Paragraph 3.1)***

- **Repairs and Maintenance of State Highways**

The State had 382 State Highways covering 35,754.68 km and 16 Major State Highways covering 7,035.04 Km, which constituted about 13 *per cent* of the total road length in the State. The Public Works Department under Government of Maharashtra is responsible for the construction and maintenance of roads, bridges and buildings in the State. The development of roads in the State is required to be done in accordance with the Road Development Plan (RDP) which remains in force for 20 years. The RDP 2001-2021 is presently in force since April 2012.

The audit of the Repairs and Maintenance works of State Highways revealed that against 15,674 works planned, 14,641 works were completed (93 *per cent*) and 1,033 works remained incomplete (seven *per cent*). The repairs and maintenance norms were outdated and needed revisions. The Annual Repair Programmes taken up by the Department were not commensurate with the funds released by the Government thereby creating huge financial liability towards unpaid bills. The overall pendency of bills as on March 2017 was ₹ 368.35 crore and bills amounting to ₹ 110.73 crore were pending for more than two years in contravention of Central Vigilance Commission guidelines that payment of contractors' bills should not be delayed. In respect of eight Divisions, the liability towards unpaid bills was more than the total annual average expenditure of those Divisions.

There were some instances of capital works executed from Repairs and Maintenance grants. There were instances of execution of works approved in one group and executed from another group, works were split into many parts and awarded to single bidders, labour co-operative societies and unemployed Engineers contrary to the Government instructions. The test checked works executed were not in conformity with the MORT&H specification and technical norms. There were instances of execution of works in defect liability period from other works resulting in avoidable excess expenditure and drainage works were not executed as per original estimates. There were instances of inadmissible expenditure.

The original invoices of purchase of bitumen by contractors from the Government refineries were not found on record across divisions. The internal control mechanism was weak as the bills were paid without ensuring the mandatory quality control test results.

***(Paragraph 3.2)***

- **National Horticulture Mission**

The National Horticulture Mission Programme was launched in the year 2005-06 by Government of India, Ministry of Agriculture, Department of Agriculture and Co-operation as a Centrally Sponsored Scheme to promote holistic growth in horticulture through research, technology promotion, extension, processing and marketing. Government of Maharashtra constituted (August 2005) State Horticulture Mission to take up the Programme in the State.

The Audit of NHM as implemented in the State revealed that the Perspective Plan was not prepared whereas the Annual Action Plans prepared without conducting baseline survey. The programme implementation was based on the farmers demand. There were cases of delayed release/non-release of State share as well as non-utilisation of the funds of Tribal Sub-Plan for want of beneficiaries.

The implementation of the NHM in the State revealed that in components like protected cultivation, rejuvenation of senile plantation the achievement were more than 100 *per cent* of the targets fixed. The achievement in the component like post-harvest management, community tank, area expansion were more than 75 *per cent,* however, it was meagre in respect of organic farming, bee keeping, establishment of marketing and nil in respect of Good Agriculture Practices (GAP), innovative interventions and technology dissemination, The "Hortnet"-e-Governance system was introduced which facilitated the filing of online applications for financial assistance by the beneficiaries and online release of payments directly to the beneficiaries' Bank account.

There were instances of irregular release of subsidy under four components *viz*. Integrated post harvest management, Area expansion, Tissue culture and Rejuvenation/replacement of senile plantation. The community tanks were incomplete due to non-provisioning of plastic lining resulting in unfruitful expenditure since the tanks could not be utilised for farming purposes. There were instances of subsidy released to ineligible beneficiaries based on invalid invoices under some components. Fruit plantations assisted under the NHM had not survived due to adverse climate conditions rendering the assistance largely unfruitful.

The field offices had not monitored the outcome of the units and projects assisted under protected cultivation, horticulture mechanisation and post-harvest management for ensuring proper utilisation of the subsidy given. Except for community tanks the Board did not carry out impact evaluation of any of the components of the NHM.

***(Paragraph 3.3)***

- Excess payment of ₹ 20.92 crore to contractors and creation of liability of ₹ 10.36 crore due to preparation of defective estimates of 12 LIS of Jigaon Lift Irrigation Scheme.

***(Paragraph 3.4)***

- Delay in acquisition of land made the project unfeasible. As a result the expenditure incurred of ₹ 17.88 crore proved to be unfruitful. The Mobilization Advance of ₹ 7.98 crore could not be recovered from the contractor.

**(*Paragraph 3.5.1*)**

- Inordinate delay in acquisition of land required for rehabilitation of Kochi village slowed down the execution of Kochi Barrage Project and expenditure of ₹ 81.21 crore incurred on gates, remain blocked since April 2015.

***(Paragraph 3.5.2)***

- Loading of central excise duty in the estimate and non-incorporation of condition for recovery from the contractor led to undue benefit of ₹ 10.18 crore to a contractor.

***(Paragraph 3.6)***

- An expenditure of ₹ 6.22 crore incurred on Kawatha Shelu (Storage) Minor Irrigation Scheme proved to be unfruitful due to utilization of unsuitable material for casing and failure to rectify the defect.

***(Paragraph 3.7)***

- Incorrect calculation of price escalation led to excess payment of ₹ 4.55 crore to a contractor.

***(Paragraph 3.8)***

- Expenditure was incurred on work of Lift Irrigation Scheme-III, Ashti, district Beed of Krishna Marathwada Irrigation Project without obtaining mandatory environmental clearance. This led to blocking of funds of ₹ 116.11 crore.

***(Paragraph 3.9)***

- The infrastructure created in the Reshim Sankul Project could not be put to use for the last five years due to non-execution of electric supply and allied works. This resulted in unfruitful expenditure of ₹ 2.91 crore and blocking up of ₹ 0.52 crore provided for electrification since March 2014.

***(Paragraph 3.10)***

- The State Government's decision of purchasing *Tur dal* locally through NCDEX, at higher rates instead of utilising the subsidised *Tur* allocated by the Government of India resulted in avoidable extra expenditure of ₹ two crore. The Government has also suffered a loss of ₹ 1.78 crore on account of unsold stocks of the purchased *Tur dal* which were unfit for human consumption.

***(Paragraph 3.11)***

- Improper planning on the part of Commissioner/Department in registration of machine and construction of dark room resulted in idling of machineries worth ₹ 2.21 crore for more than four years.

***(Paragraph 3.12)***

- Lack of planning on the part of both the Dean, Sasoon Hospital, Pune and EE, PWD, Pune to provide for all the requirements at the planning stage of the project itself resulted in increase in cost from ₹ 34.40 crore to ₹ 164.58 crore. Besides, the hospital building remained incomplete for more than six years after the date of completion of the original time limit, depriving the patients of the benefits of medical care with modern facilities.

***(Paragraph 3.13)***

## 1.7 Responsiveness of Government to Audit

### 1.7.1 Inspection reports outstanding

Periodical inspections of Government Departments are conducted to test-check their transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with IRs which are issued to the Heads of the Offices inspected, with copies to the next higher authorities. Half yearly reports of pending IRs are sent to the Secretaries of the concerned Departments to facilitate monitoring of action taken on the audit observations included in the IRs.

As of June 2017, 1,889 IRs (6,090 paragraphs) were outstanding. Year-wise details of IRs and paragraphs are shown in **Appendix 1.1**.

### 1.7.2 Response of Departments to draft paragraphs and performance audits

The draft paragraphs and performance audit were forwarded demi-officially to the Principal Secretaries/Secretaries of the concerned Departments between March 2017 and July 2017 with the request to send the responses within six weeks. The Government reply was received in respect of the performance audit and seven compliance audit paragraphs. No replies were received (December 2017) in respect of remaining seven audit paragraphs featured in this Report.

### 1.7.3 Follow-up on Audit Report

According to instructions issued by the Finance Department, GoM in January 2001, Administrative Departments were required to furnish Explanatory Memoranda (EMs) duly verified by Audit to the Maharashtra Legislature Secretariat in respect of paragraphs included in the Audit Reports, within three months of presenting the Audit Reports to the State Legislature. The Administrative Departments, however, did not comply with these instructions. The status of outstanding EMs from 2011-12 to 2015-16 is indicated in **Table 1.2**.

**Table 1.2: Status of submission of Explanatory Memoranda during 2011-16**

| Audit Report | Date of tabling the Report | Number of Paragraphs and Reviews | Number of EMs received | Balance |
|---|---|---|---|---|
| 2011-12 | 18 April 2013 | 11 | 11 | -- |
| 2012-13 | 24 December 2014 | 10 | 06 | 04 |
| 2013-14 | 10 April 2015 | 08 | 07 | 01 |
| 2014-15 | 13 April 2016 | 10 | 02 | 08 |
| 2015-16 | 07 April 2017 | 11 | 10 | 01 |
| **Total** | | **50** | **36** | **14** |

The EMs in respect of five paragraphs relating to the period prior to 2011-12 were outstanding. Department-wise details are shown in **Appendix 1.2.**

With a view to ensuring accountability of the Executive in respect of all the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC) lays down in each case, the period within which Action Taken Notes (ATNs) on its recommendations should be sent by the Departments.

The PAC discussed 305 paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2015-16 and gave 305 recommendations of which, ATNs were pending on 244 recommendations as indicated in **Table 1.3.**

**Table 1.3 : Position of outstanding ATNs on PAC recommendations**

| Year of Audit Report | PAC Report number | Year of PAC | Number of recommendations | Number of ATNs awaited |
|---|---|---|---|---|
| **1985-86 to 2005-06** | 16, 18, 28, 24, 19 | 1994-95 | 144 | 101 |
| | 01, 02, 04, 06, 07, 08 | 1995-96 | | |
| | 20, 24, 25, 27 | 1997-98 | | |
| | 03 | 2000-01 | | |
| | 13 | 2003-04 | | |
| | 08 | 2007-08 | | |
| | 13 | 2008-09 | | |
| | 14 | 2008-09 | | |
| | 08 | 2010-11 | | |
| **2006-07** | 09 | 2012-13 | 09 | -- |
| | 15 | 2008-09 | 20 | 12 |
| | 18 | 2015-16 | 06 | 06 |
| **2007-08** | 13 | 2012-13 | 03 | 03 |
| **2008-09** | 17 | 2012-13 | 21 | 21 |
| **2009-10** | 06 | 2015-16 | 15 | 14 |
| **2010-11** | -- | -- | -- | -- |
| **2011-12** | -- | -- | -- | -- |
| **2012-13** | -- | -- | -- | -- |
| **2013-14** | 21 | 2015-16 | 49 | 49 |
| | 23 | 2015-16 | 38 | 38 |
| **2014-15** | -- | -- | -- | -- |
| **2015-16** | -- | -- | -- | -- |
| **Total** | | | **305** | **244** |

The Department-wise position of PAC recommendations on which ATNs were awaited (November 2017) is indicated in **Appendix 1.3.**

# CHAPTER - II

## PERFORMANCE AUDIT

### 2.1 Performance Audit on Gosikhurd National Irrigation Project

# CHAPTER II

# Performance Audit

# WATER RESOURCES DEPARTMENT

## 2.1 Performance Audit on Gosikhurd National Irrigation Project


***Executive summary***

**Gosikhurd Irrigation Project was approved in March 1983 to create irrigation potential of 2,50,800 hectares annually in Bhandara, Nagpur and Chandrapur districts. The Project comprised construction of earthen dam and spillway, Left Bank Canal, Right Bank Canal, nine Lift Irrigation Schemes and augmentation of the existing Asolamendha tank. The project was declared as a 'National Irrigation Project' by the Government of India in February 2009.**

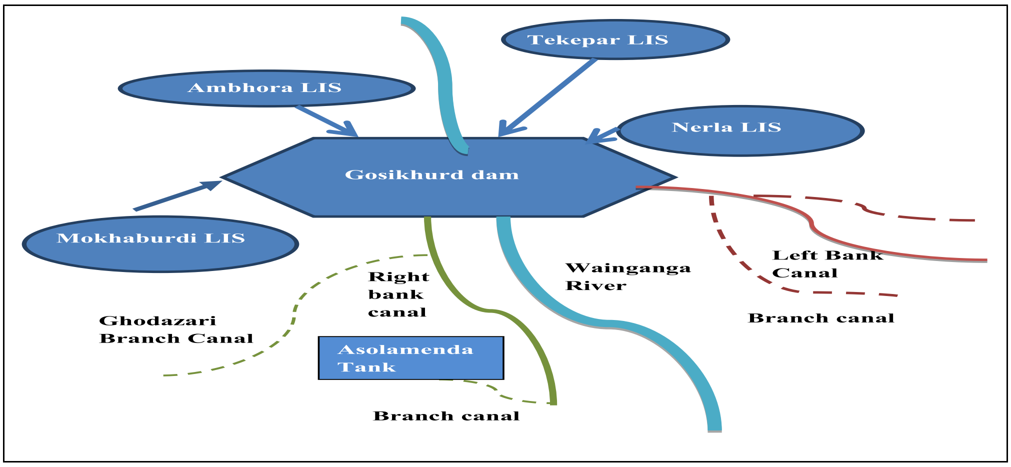
**A performance audit of the Gosikhurd National Irrigation Project for the period 2012-17 revealed that despite being responsible for execution of an enlisted national project with aim of providing huge irrigation benefit and impetus to other water related activities, the department failed on all fronts to implement and deliver.**

- **Inherent flaws in planning *viz.* faulty survey, non-acquisition of private/forest land, incorrect estimation necessitated mid-course changes in scope of the project leading to disruption of work.**
- **The project witnessed huge cost escalation from ₹ 372 crore to ₹ 18,495 crore. But in absence of viable funding plan, the revised cost was not approved by Central Water Commission. Moreover, due to irregularities in execution of the project there was shortfall in release of funds by Government of India.**
- **Several instances of violation of manual provisions and contract conditions were noticed in execution of project which resulted in undue benefit to the contractors.**
- **The rehabilitation of Project Affected Persons was delayed as the required amenities were either not created or were incomplete. In some cases, double payment of compensation and delayed payment were noticed leading to financial burden on the public exchequer.**
- **Even after completing 34 years and spending ₹ 9,712.09 crore only 20 *per cent* of envisaged irrigation potential could be realized.**
- **For optimum utilization of water only 45 Water Users Associations (WUAs) were created as against the target of 387 WUAs.**
- **The departmental supervision was minimal resulting in substandard quality of work.**
- **The dam water was being polluted due to unregulated release of sewage in the connecting rivers.**

## 2.1.1 Introduction

Gosikhurd Irrigation Project is a major project in the Godavari basin on River Wainganga near Gosikhurd village in Bhandara district of Maharashtra. The project was approved in March 1983 to create irrigation potential (IP[1]) of 2,50,800 hectares (ha) annually in Bhandara, Nagpur and Chandrapur districts. The irrigable command area (ICA[2]) was 1.90 lakh ha land out of Culturable Command Area (CCA[3]) of 2.00 lakh ha. The Project comprised construction of earthen dam and spillway having storage capacity of 1146.08 $Mm^3$, 22.93 kilometer (km) long Left Bank Canal (LBC), 99 km long Right Bank Canal (RBC), nine[4] Lift Irrigation Schemes (LIS) and augmentation of the existing Asolamendha tank. The Project also envisaged supply of water to industries[5] and generation of three Megawatt of electricity. After formation of Vidharbha Irrigation Development Corporation (VIDC), the Project was handed over (April 1997) to it for speedy execution of the work. The project was declared as a „National Irrigation Project" by the Government of India (GoI) in February 2009.

**SCHEMATIC DIAGRAM OF GOSIKHURD NATIONAL IRRIGATION PROJECT**




## 2.1.2 Organisational set-up

Implementation of the Project is monitored by the Principal Secretary, Water Resources Department (WRD), Government of Maharashtra (GoM) who is also the Managing Director of VIDC. The Chief Engineer (CE), Gosikhurd Project, WRD, Nagpur is responsible for execution of various project works assisted by two[6] Superintending Engineers (SE) and nine[7] Executive

1 Area to be irrigated annually for all seasons of crop is worked out from irrigable command area and number of crops taken during the year
2 Area out of total cultivable area where irrigation is being provided
3 Total cultivable area available
4 Four LIS at Ambhora, Mokhabardi, Nerla and Tekepar on dam, two LIS at Akot and Gosi on LBC and three LIS at Pauni, Sheli and Shivnala on RBC
5 Jawaharnagar Ordinance Factory, Bhandara and National Thermal Power Corporation Mouda
6 SE, Gosikhurd Lift Irrigation Circle, Ambadi (Bhandara) and SE, Gosikhurd Project Circle, Nagpur
7 Rehabilitation Division, Ambadi; Gosikhurd LIS Division, Ambadi; Ambhora LIS Division, Bhiwapur; RBC Division, Bramhapuri; Asolamendha Renovation Division, Nagbhir; Rehabilitation Division, Nagpur; Gosikhurd Dam Division, Wahi (Pauni); RBC Division No.1, Wahi (Pauni) and LBC Division, Wahi (Pauni)

Engineers (EE). The funds for implementation are routed through VIDC which exercises overall technical and financial control.

## 2.1.3 Audit Objectives

The audit objectives were to assess whether:

- the planning for components of the project was proper and in consonance with the project objectives;
- project execution was economic, efficient and effective and led to creation of targeted IP and allied benefits;
- rehabilitation of PAPs was done as intended; and
- effective monitoring mechanism and a proper internal control system were in place.

## 2.1.4 Audit Criteria

The audit criteria were derived from following documents:

- Detailed Project Report;
- Minor Irrigation Manual, 1983;
- Maharashtra Public Works Manual, 1968 (MPWM);
- Vidarbha Irrigation Development Corporation Act, 1997;
- Guidelines for Implementation of National Projects;
- Maharashtra Project Affected Persons (Rehabilitation) Act, 1986 and amendments in 1999 (MPAPR);
- Forest Conservation Act, 1980;
- Land Acquisition Act, 1894 and subsequent LA Acts (The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013); and
- Government Resolutions and Instructions/orders relating to the works, rehabilitation *etc.,* issued by GoI, GoM and VIDC from time to time.

## 2.1.5 Scope and methodology of Audit

Performance audit on "Gosikhurd National Irrigation Project" covering a period of five years from 2012-17 was conducted between January 2017 to June 2017. Records of all the nine executing divisions (EEs), two SEs, CE and Executive Director (VIDC) were scrutinised.

Issues pertaining to acquisition of land and rehabilitation of Project Affected Persons (PAPs); records of six Deputy Collectors (Land Acquisition)/Deputy Collector (Resettlement) falling under Bhandara and Nagpur Collectorates were also examined.

The recommendations of Public Accounts Committee (April 2017) on Performance Audit on Gosikhurd Irrigation Project appeared in Report of the Comptroller and Auditor General for the year ended March 2007 (Civil)

Government of Maharashtra was also taken into consideration during finalisation of this report.

The audit objectives, methodology and scope of the performance audit were discussed with the Secretary, WRD, GoM in an entry conference held on 22 February 2017. An exit conference was held on 6 October 2017 with the Secretary, WRD, GoM wherein the audit findings and recommendations were discussed. The views of the WRD during exit conference have been considered while finalising the Performance Audit Report.

## Audit Findings

## 2.1.6 Planning

The chronology of the project is given in **Table 2.1.1**.

**Table 2.1.1: Chronology of the project**

**(₹ in crore)**

| Administrative Approval (AA) | Year of sanction | Sanction amount |
|---|---|---|
| Original AA | March 1983 | 372 |
| First Revised AA | July 1999 | 2091 |
| Second Revised AA | November 2007 | 5659 |
| Third Revised AA | September 2016 | 18495 |
| *Source: Information furnished by VIDC* | | |

Gosikhurd project was declared „National Project" in February 2009 and as per the Memorandum of Understanding (MoU) executed (2008-09) between GoI and WRD (GoM), it was scheduled to be completed by March 2014. However, as per the revised schedule (August 2016), it is now proposed to be completed by March 2020. As of March 2017, an expenditure of ₹ 9,712.09 crore (**Appendix 2.1.1**) was incurred on the project since its inception.

The audit observations noticed during planning process are discussed in the succeeding paragraphs.

### 2.1.6.1 Inadequate Survey

According to the Detailed Project Report (DPR) (1983), the ICA of the project was envisaged to be 1.90 lakh ha which was apportioned among the various project components. It was, however, observed that there was overlapping in the command area, which necessitated changes in scope of the project, as mentioned below;

- The ICA of 11,767 ha comprising three existing lift irrigation schemes at Haranghat, Borghat and Wagholi was included in ICA of Asolamendha Tank. Thus, it had to be deleted from the planned ICA of Asolamendha tank. To compensate for the reduction in command area, three new LIS at Pauni (2,539 ha), Sheli (2,055 ha) and Shivnala (1,454 ha) and additional ICA of 5,719 ha area on RBC were included (October 2015) in the third Revised Administrative Approval (RAA) of the Gosikhurd Project, leading to cost escalation of ₹ 365.30 crore.

- In the Mokhabardi LIS, the command area was reduced by 7.90 km due to canal alignment falling in forest area. Accordingly, to compensate for the reduction in canal area, Wadala Branch Canal was proposed for catering to the irrigation needs of 6880 ha, involving an additional cost of ₹ 369.63 crore.

➢ 700 ha command area of Ambhora LIS was affected due to rehabilitation of project affected village. So a new Kinhi distributory was proposed, entailing a cost of ₹ 36.03 crore.

WRD stated that the DPR was prepared on the basis of survey of 10 *per cent* area instead of detailed survey. However, the estimates were prepared after detailed survey of the concerned site. As regards the rehabilitation of project affected village, it was stated that the process of land acquisition could not be completed due to public resentment over the rate of compensation. The land acquisition, however, would be completed by March 2018.

Thus, the flaws in survey in demarcating the command area of the project components led to changes in the scope of project and entailed additional cost of ₹ 770 crore as shown in the **Table 2.1.2**.

**Table 2.1.2: Change in ICA of project**

**(Area in ha and ₹ in crore)**

| Sr. No. | Name of component | ICA as per the RAA | | Excess/deficit in ICA | Excess in cost |
|---|---|---|---|---|---|
| | | 2nd | 3rd | | |
| 1 | Right Bank Canal | 48760 | 54479 | 5719 | 80.69 |
| | Pauni LIS, Sheli LIS and Shivnala LIS | 0 | 6048 | 6048 | 452.88 |
| | Asolamendha Tank | 53342 | 41575 | (-) 11767 | (-) 168.27 |
| 2 | Mokhabardi LIS | 21390 | 21390 | 0 | 369.63 |
| 3 | Ambhora LIS | 8481 | 8481 | 0 | 36.03 |
| | **Total** | | | | **770.96** |
| *Source : Information furnished by selected divisions* | | | | | |

## 2.1.6.2 Delays in acquisition of land

As of March 2017 the land required for the project is shown in the **Table 2.1.3** below**:**

**Table 2.1.3: Land required for the project**

**(Area in ha)**

| Particulars | Private land | Government land | Forest land | Total |
|---|---|---|---|---|
| Total land required for project | 31028.28 | 5764.50 | 3552.69 | 40345.48 |
| Actual land acquired | 27359.66 | 5764.50 | 3068.54 | 36192.70 |
| Land yet to be acquired | 3668.62 | 0 | 484.15 | 4152.77 |
| *Source: Information furnished by VIDC* | | | | |

In nine test-checked divisions it was noticed that 19 works executed by five[8] divisions were awarded (March 2009 to June 2014) at a cost of ₹ 24.87 crore to the contractors. Owing to non-availability of land, the works could not start or were delayed by two to eight years from the date of issue of work orders. In five[9] divisions, 34 works relating to distribution network of RBC and LBC

8 RBC Division No. 1, Wahi (Pauni); RBC Division, Bramhapuri; LBC Division, Wahi (Pauni); Asolamendha Renovation Division, Nagbhid and Gosikhurd Lift Irrigation Division, Ambadi, Bhandara

9 RBC, Division No. 1, Wahi (Pauni); RBC Division, Bramhapuri; LBC Division, Wahi (Pauni); Asolamendha Renovation Division, Nagbhid and Ambhora Lift Irrigation Division, Bhiwapur

main canal were initiated (February 2008 to November 2014), but held up due to non-availability of private/forest land after incurring an expenditure of ₹ 162.55 crore.

It is evident that the department had not ascertained the availability of land prior to issue of work orders in violation of the Maharashtra Public Works Manual.

The WRD stated that the guidelines for implementation of the Land Acquisition Act, 2013 were not available till April 2015. Thus, owing to difficulties encountered in implementation, there was delay in acquisition of land. As on date 4,194 ha of land remains to be obtained, however, process of acquiring the balance land has been taken on fast track which would be completed by the end of March 2018.

The reply of the Department was not tenable as the new Land Acquisition Act, came into force in 2013 whereas the cases of land acquisition were pending since 2009-10. The delayed acquisition/non-acquisition of land resulted in non-initiation/non-completion of the works of distributaries, minors and sub-minors of RBC and LBC.

## 2.1.7 Project cost

The project received funds under Accelerated Irrigation Benefit Programme (AIBP) since 1997 from GoI and GoM. As per second RAA, the cost of project had sanctioned (November 2007) for ₹ 5,659.09 crore. After declaration of the project as a National Project (February 2009), the balance cost was worked out to ₹ 4,458.87 crore of which GoI was to provide ₹ 4,012.98 crore (90 *per cent*) under AIBP and ₹ 445.89 crore (10 *per cent)* to be provided by GoM.

The cost of the project further escalated in the third RAA and went up to ₹ 18,494.57 crore, owing to increase in Current Schedule of Rates (CSR) (price level), increases in cost of land acquisition, change in design and drawing, omissions in providing certain additional items, acceptance of higher tender, other reasons *etc.* as shown in the **Table 2.1.4.**

**Table 2.1.4: Project cost escalation**

**(₹ in crore)**

| Sr. No. | Reasons | Amount of increase |
|---|---|---|
| 1 | Increases in CSR (price level) | 3544.95 |
| 2 | Acceptance of higher tender | 247.79 |
| 3 | Increases in cost of land acquisition | 1973.79 |
| 4 | Change in design and drawing (structural change) | 1646.72 |
| 5 | Excess in cost of project due to inadequate provision | 3067.02 |
| 6 | Excess due to other reason | 1490.58 |
| 7 | Indirect expenses | 864.63 |
| | **Total** | **12835.48** |
| *Source : Information furnished by VIDC* | | |

The third RAA, as of November 2017, had not been approved by the Central Water Commission (CWC) in absence of credible work-financing plan. Therefore, funding for the balance amount of ₹ 8,782.47 crore from GoI was not assured. The component wise increase of the project cost and balance cost as of March 2017 is shown in **Appendix 2.1.1.**

It is pertinent to mention here that the target date of completion of the project is March 2020 and delay in submission and finalisation of funding plan to GoI may hamper the project progress.

### 2.1.7.1 Release of funds

The details of funds released and expenditure incurred on the project since its declaration as a National project is shown in the **Table 2.1.5.**

**Table 2.1.5: Funds released and expenditure incurred**

**(₹ in crore)**

| Year | Grants released by GoI | Grants released GoM | Total Grant released | Additional contribution released by GoM | Total grant released | Expenditure incurred |
|---|---|---|---|---|---|---|
| 2008-09 | 450.00 | 50.00 | 500.00 | 0 | 500.00 | 384.92 |
| 2009-10 | 720.00 | 80.00 | 800.00 | 0 | 800.00 | 884.84 |
| 2010-11 | 1412.94 | 156.99 | 1569.93 | 0 | 1569.93 | 922.85 |
| 2011-12 | 0 | 0 | 0 | 431.80 | 431.80 | 974.14 |
| 2012-13 | 405.00 | 45.00 | 450.00 | 0 | 450.00 | 419.69 |
| 2013-14 | 0 | 0 | 0 | 507.00 | 507.00 | 751.95 |
| 2014-15 | 0 | 0 | 0 | 258.72 | 258.72 | 284.08 |
| 2015-16 | 0 | 0 | 0 | 1050.00 | 1050.00 | 637.09 |
| 2016-17 | 0 | 0 | 0 | 1000.00 | 1000.00 | 611.17 |
| **Total** | **2987.94** | **331.99** | **3319.93** | **3247.52** | **6567.45** | **5870.73** |
| *Source : Information furnished by VIDC* | | | | | | |

In addition to above releases, GoM had also released (February 2010 to January 2015) funds of ₹ 997.79 crore under special packages for rehabilitation of PAPs.

The GoI did not release funds during the year 2011-12 and from 2013-14 to 2016-17 since the GoM (September 2016) through Anti Corruption Bureau (ACB) initiated a probe to investigate irregularities noticed in awarding and execution of the works during the period from 2006 to 2010.

The WRD stated that the RAA was being scrutinized by CWC, Nagpur and would be submitted to GoI. The Central Assistance is expected as soon as the RAA for project is approved by GoI.

### 2.1.7.2 Funds received under Special Rehabilitation Package

GoM sanctioned two special Rehabilitation packages for PAPs amounting to ₹ 152 crore (package I[10]) and ₹ 1,199.60 crore (package II[11]) in February 2010 and June 2013 respectively. Against this, an amount of ₹ 92.81 crore and ₹ 904.98 crore were released under package I and II respectively. The rehabilitation activities under these special packages were required to be executed by the Revenue department. As per the directions

10 For payment of interest on delayed payment of compensation, construction of houses/shopping complex and technical training to PAPs

11 For payment in lieu of farmland, rehabilitation grant, construction of shed for livestock, lump sum grant in lieu of employment, construction of houses for PAPs and administrative expenses

(October 2015) of the Divisional Commissioner (DC), Nagpur funds were not to be diverted from Package I to Package II or vice-versa.

➢ Under package-II, GoM had approved (June 2013) ₹ 23.52 crore for Administrative expenses, of which an expenditure of ₹ 10.17 crore was incurred as of March 2017. Thus, the balance amount of ₹ 13.35 crore had to be refunded to Government as per instructions issued (March 2017) by DC, Nagpur. The Deputy Commissioner (Gosikhurd), Nagpur, however, refunded an amount of ₹ 29.29[12] crore.

The WRD stated that unspent amount of ₹ 28.86 crore was refunded by VIDC due to dispute regarding legal heirs of the PAPs. The fact was that the intended purpose of release of Special Rehabilitation Package was not fulfilled.

➢ Three[13] Deputy Collectors (Land Acquisition), Bhandara had diverted an amount of ₹ 2.71 crore of Package II, for making payments in various activities of Package I violating the existing instructions of DC, Nagpur citing the reason that due to non-receipt of grant under Package I, the amount was utilized from Package II.

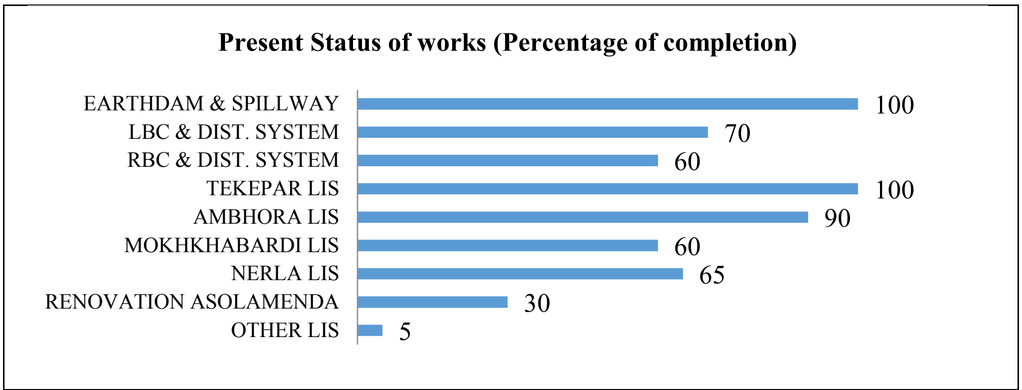
The WRD stated that there may be one or two isolated cases of such nature.

➢ Funds of ₹ 1,352.24 crore were released (February 1998 to March 2017) to six Deputy Collectors (Land Acquisition) for distribution to PAPs as compensation. As of March 2017, an amount of ₹ 90 crore was lying with these Deputy Collectors due to family dispute, no legal heir and death of beneficiaries.

The WRD stated that the position of unspent balance has been reduced considerably and further stated that remaining funds would be utilised in near future.

## 2.1.8 Execution of Project

The status of execution of the project as of March 2017 is shown below:

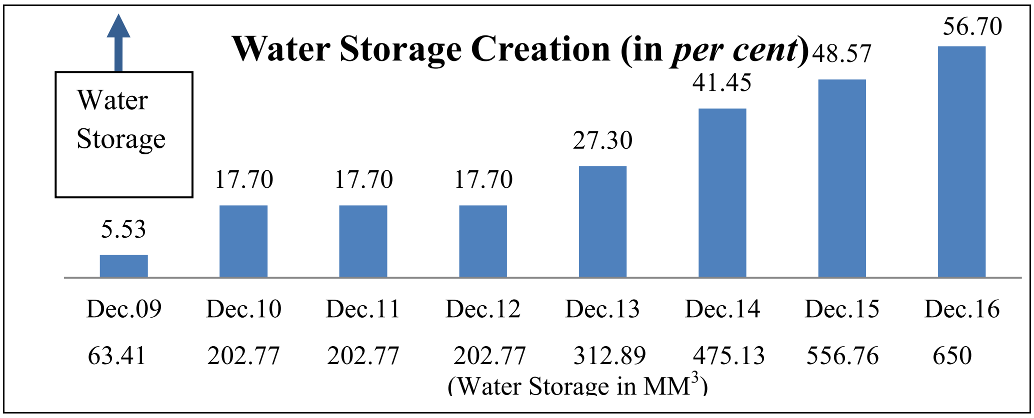



Since December 2008 the dam was being used partially for storing water. At the end of December 2016, water level of 242.50 m had been achieved in the

12 ₹ 28.86 crore (₹ 15.51 crore of Rehabilitation package and ₹ 13.35 crore of balance Administrative cost) plus ₹ 0.43 crore received from Deputy Collector (Resettlement), Nagpur pertains to balance amount of administrative expenses

13 Dy. Collector (LA) No. 1, Bhandara; Dy. Collector (LA) No. 2, Bhandara and Dy. Collector (LA) No. 3, Bhandara

reservoir with storage of about 650 Mm$^3$ against the target of 1,146.08 Mm$^3$. By December 2017, the water level of 245.50 m in the reservoir was targeted. Year wise development of water storage in Mm$^3$ is indicated as below:




As per the revised deadline, the project has to be completed by March 2020. In order to expedite the project work, MoU has been executed (March 2017) between GoM and National Buildings Construction Corporation (NBCC) Limited for execution of works related to up-gradation of civic amenities in rehabilitated villages, right bank canal, canal and distribution system of Nerala and Mokhaburdi LIS *etc*.

### 2.1.8.1 Lining works of Left Bank Canal

The works of construction of cement concrete (CC) lining of the Gosikhurd Left Bank Canal (LBC) in km 1 to km 10 and in km 11 to km 22.93 were executed (August 2009) through two contractors at a cost of ₹ 25.80 crore and ₹ 25.69 crore respectively. However, due to substandard quality of lining works in the entire canal length, the CC lining developed cracks one to two years after completion. As the defects had appeared within the defect-liability period, the contractors were directed (March 2010) to re-execute the whole work. The rectification works were required to be executed under clause 20 of the contract agreement according to which, contractor was liable for any damage, defect or imperfections noticed within a period of 24 months from the date of completion of work. The clause also specified that the entire cost including dismantling and reconstruction had to be borne by the contractor. The above observation had already appeared as para 2.3.7.5 in the CAG‟s Audit Report (Civil) for the year 2010-11. The Public Account Committee (PAC) had also expressed (September 2016) its displeasure over the poor progress of the lining work.

Audit scrutiny revealed that the rectification work was being carried out at a very slow pace. Initially, it was expected to be over by June 2012. Time extensions were accorded with revised deadline of March 2018. But, as of March 2017, reconstruction work was carried out only in 1.2 km (5 *per cent*) of the canal length. The present status of work is shown in the photographs below:

| | |
|---|---|
|  |  |
| **The Reconstruction of CC lining works completed at Km 0 to 1.2 bed (at Tahsil Pauni, District Bhandara)** | **The Reconstruction of CC lining work not executed in canal bed (at Tahsil Pauni, District Bhandara)** |
|  |  |
| **Removed the cracked CC lining but reconstruction of CC lining works not started bed (at Tahsil Pauni, District Bhandara)** | **The Reconstruction of CC lining work not executed at canal bed (at Tahsil Pauni, District Bhandara)** |

It was further observed that two works pertaining to construction of RBC distributaries were awarded (May 2011 and July 2014) to the same contractors at a cost of ₹ 24.84 crore though these two contractors had executed defective and substandard works of lining of LBC.

The WRD stated that entire lining works would be completed by June 2018. The Department, however, did not provide any explanation for the slow progress of work and for awarding the work of RBC distributaries to the same contractors who executed defective work.

### 2.1.8.2 Execution of work on Right Bank Canal

The work of design and construction of Aqueduct[14] on Gosikhurd Right Bank Canal (RBC) was awarded (January 2008) on C tender[15] at a cost of ₹ 12.23 crore. The conditions of agreement provided that the work was to be executed as per the drawings and design of the contractor.

The contractor completed the work (January 2010) and was paid (February 2011) ₹ 13.26 crore. The completion certificate issued (January 2010) by the Assistant EE certified the standard specification and other prescribed requirement. Due to heavy rainfall in August 2012, the earthwork upstream and downstream of the Aqueduct was damaged along with some structural damages to transition support system and wing wall. The EE did not take any action for repairs to the damaged portion of Aqueduct and released water (January 2014) which worsened the condition of the already damaged Aqueduct. The CE, WRD, Nagpur who was appointed as enquiry officer by VIDC for finding reasons for damages to the banks of Aqueduct, mentioned in his report that the contractor had not executed the work as per drawing and design in violation of clause 1.2, 1.5 and 1.12 of the agreement. The VIDC then issued (July 2015) legal notice to the contractor for not

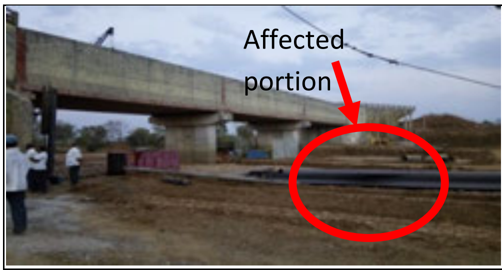
14 Aqueduct is a structure, usually a bridge, that carries such a conduct or a canal across a valley or river

15 C tender is a lump sum offer on contractor‟s own design and drawings

executing the work as per drawing and design of the DPR.

Audit observed that after the completion of Aqueduct in January 2010, it could not be commissioned due to incomplete work of RBC. Even the hydraulic testing was not carried out. Thus, failure on the part of VIDC to commission the Aqueduct on its completion, deficiency in certification/monitoring of execution of works by the divisional engineers and lethargic approach in taking appropriate corrective measures on defective work resulted in unfruitful expenditure of ₹ 13.26 crore incurred on construction of Aqueduct. In spite of the fact that the contractor did not execute the work as per drawing and design, EE refunded (June 2012) the security deposit of ₹ 21.56 lakh to the contractor.

It was observed that EE had further awarded (October 2016) the work for repairs[16] to Aqueduct at a cost of ₹ 16.55 crore to another contractor with stipulated date of completion of work in January 2017. The work was in progress (November 2017) as shown below:

| | |
|---|---|
|  |  |
| **Repair work of aqueduct on Upstream side under progress** | **Repair work of aqueduct on Downstream side under progress** |

As the damaged aqueduct structure was not repaired in time, an additional cost of ₹ 88.95 lakh was incurred for irrigating 4,374 ha (September 2015 to January 2016) using MS pipes as a temporary measure.

The WRD stated that due to rains and subsequent release of water, the structures upstream and downstream as well as the Inspection Path and Service Road got damaged. However, the aqueduct structure was restored and water was released through it and the department had issued legal notice to the concerned contractor.

The reply is not convincing as the department without ensuring the quality of work issued the completion certificate to the contractor and also delayed in taking appropriate corrective measures. This resulted in avoidable expenditure on strengthening of aqueduct.

Further, in order to provide safety to the canal from heavy rainfall, retaining walls of length 3,515 m were constructed (May 2008 to May 2009) at selected patches of the RBC at a cost of ₹ 51.48 crore. However, on account of heavy rainfall (September 2010), the retaining wall from RD 20850 m to RD 20990 m and RD 31020 m to RD 31470 m fell into the canal bed.

During joint site visit (22 May 2017) conducted by audit with the officials of Gosikhurd RBC Division, Bramhapuri the damaged portions of retaining wall were observed as under:

16 Work of strengthening of approaches of aqueduct at RD 45660 on GRBC to M/s. SEW Infrastructure Ltd.


| Skidding Retaining wall RD 31020 m | Retaining wall constructed between RD 31020 m to RD 31470 m |
|---|---|

The WRD stated that due to strata conditions, the retaining wall shifted. The experts from IIT, Gandhinagar had been entrusted with the work of strata treatment and the report on the same was expected within two months by January 2018. Based on their recommendations, the rectification work would be carried out.

The reply of the WRD was not convincing as geological factor strata analysis had been done nearly 15-20 years back and current analysis of strata was not available with them. Further, the reply of the Department indicates that the work of retaining walls was executed without detailed study of the strata and led to unfruitful expenditure of ₹ 51.48 crore.

### 2.1.8.3 Asolamendha Tank

To augment the storage capacity of already existing Asolamendha tank in Chandrapur district it was proposed (1983) in the DPR to increase its length and height along with construction of main canals and two branch canals at Vyahad and Dighori. This required 22.21 ha of Government land, 984.46 ha of private land and 298.02 ha of forest land. It was observed that 16.29 ha of Government land and 120.15 ha of private land constituting only 10 *per cent* of the required land were under the possession of the department. Thus, in absence of actual land, the drawings and designs of various structures were not finalized. Despite this, the department went ahead and awarded the works.

The work of renovation of canal system was awarded (August 2009) at a tendered cost of ₹ 361.71 crore. The contractor, however, could only execute (October 2016) the work amounting to ₹ 188.92 crore as the required forest land could not be acquired and design and drawings of canal structure were not finalized.

Similarly, the work of raising the height of existing Asolamendha tank, construction of waste weir, head regulator and renovation of Vyahad branch canal was awarded (February 2010) to the same contractor at a tendered cost of ₹ 182.51 crore. In absence of design and drawings and permission to cut trees on the forest land, the earth work and lining work of the canal could not be executed till date (November 2017). The contractor has been paid ₹ 46.27 crore (June 2017) for the work executed by him up to August 2016. Further, the above works came under ACB scrutiny for alleged irregularities, division issued (November 2016) show cause for withdrawal of work under Clause 15 (1) of the agreement. The work was yet to be withdrawn (November 2017).

Due to proposed increase in the height of Asolamendha tank two villages *viz.* Asolachak and Sawangi were required to be rehabilitated. For this purpose, land measuring 14.33 ha (11.23 ha revenue land and 3.10 ha private land) was required. It was observed that private land required was yet to be acquired (November 2017).

The action of the division to award work without acquiring land was in contravention of the manual provisions. The design and drawings of canal structure, waste weir and head regulator were not finalised before award of work. Rehabilitation of two affected villages was yet to be taken up. As of March 2017, despite expenditure of ₹ 235.19 crore incurred on the renovation of Asolamendha, the desired irrigation potential of 54,879 ha could not be achieved.

The WRD accepted that due to non-acquisition of land, the project was delayed. They stated that land acquisition was expected to be completed within two years and thereafter the work of project would be completed.

#### 2.1.8.4 Execution of Mokhabardi LIS

With an objective to irrigate 28,235 ha, Mokhabardi Lift Irrigation Scheme was taken up as one of the components of Gosikhurd project. The designs and drawings[17] were approved by Central Designs Organisation, Nashik (CDO). The Chief Engineer, Gosikhurd Project accorded (March 2006) technical sanction to Mokhabardi LIS. The work of execution of Mokhabardi LIS on turn-key basis was awarded (July 2006) to a contractor for ₹ 224.37 crore including items on survey, drawing and design besides civil and electrical work.

The contractor, based on this, submitted (July 2006) his own design, drawings and layout which involved substantial reduction in quantity of work and in the specification and capacity of rising mains[18] and pumps. The contractor‟s design and drawing was approved by the standing committee of VIDC. While approving the design and drawings of contractor, VIDC, however, did not put any condition that in the event of savings, the proportionate cost of savings would be deducted from the amount payable to him.

It is pertinent to mention that the above work was awarded on lump-sum contract basis wherein the amount to be paid to the contractor was fixed at the tendered amount irrespective of increase/decrease in the executed quantities. But due to substantial differences between the two design and drawings *i.e.* as approved by CDO and as submitted by the contractor, it was not accepted by the GoM. It was also directed (December 2007) that the diameter and thickness of the rising main should be kept as per the original design approved by the CDO earlier and if the work was executed as per contractor‟s design, approved by the VIDC, the amount of reduced quantity should be deducted from the contractor‟s dues. Meanwhile the work on Mokhabardi LIS continued as per the contractor‟s design. The EE based on GoM directions recovered ₹ 17.78 crore from the contractor (July 2010).

17 which included total discharge-35 cumecs, rising main length-4500 meter, diameter of rising main-2500 mm, thickness-16 mm and four rows of rising main

18 The Rising main is the pipeline conveying the pump discharge of water to the distribution chamber under Hydrostatic pressure

Subsequently, the contractor filed a writ petition in the High court against VIDC. The dispute was resolved through arbitration and an award (August 2013) of ₹ 32.56[19] crore was passed in favour of the contractor. VIDC paid the amount (October 2016).

Thus, unconditional acceptance of the contractor"s design in deviation of approved design of CDO, Nasik resulted in avoidable expenditure of ₹ 14.80 crore. The work further lagged behind as the alignment of 132 KV HT line could not be shifted and resultantly Mokharbardi LIS was lying incomplete (March 2017). The EE apprised (May 2017) that the work of project along with the work of shifting alignment of 132 KV HT was in progress.

The WRD stated that unlike „B-1 tenders", there was no provision in „C tenders" to recover the savings, if any, from the contractor and payments were made as per stages in execution of the work. WRD further stated that work would be completed within four months.

The reply was not tenable as VIDC approved the drawing and design of the contractor without analysis of savings or excess in comparison with earlier approved design by the CDO and accordingly did not safeguard their interest.

**2.1.8.5 Preparation of inaccurate estimates**

As per Chapters 3 and 4 of Maharashtra Minor Irrigation Manual, 1983, irrigation schemes should be prepared after preliminary investigation which included estimation and identification of land for the project, topography of the site, source of water, seasonal discharge of water and other environmental aspects. After preliminary investigation, division should carry out survey to determine the quantities of earth/masonry works according to the storage capacity of irrigation infrastructure and prepare the project report. The detailed cost estimates, benefit cost ratios and other economic parameters such as, irrigable command area, anticipated area to be irrigated annually, intensity of irrigation *etc*. should be reflected in the project report.

**Extra items**

Audit observed that in four[20] test checked divisions, in 13 sub-works related to RBC and Mokhabardi LIS component of the project with a tendered cost of ₹ 400.34 crore, extra item rate list (EIRL[21]) items amounting to ₹ 15.52 crore cropped up during the execution of works, which were not included in contract as they were not anticipated at the time of framing the estimates. As of March 2017, total expenditure of ₹ 10.97 crore was incurred on these EIRL items.

19 ₹ 16.94 crore towards saving in quantity plus ₹ 15.49 crore towards interest plus ₹ 0.13 crore towards arbitration cost

20 Ambhora LIS Division, Bhiwapur; RBC Division, Bramhapuri; Asolamendha Renovation Division, Nagbhir and RBC Division No. 1, Wahi

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

**Execution of excess quantity of work beyond 125 *per cent***

As per clause 38 of contract, the payment for additional quantities executed by the contractor up to 125 *per cent* of the tendered quantity was to be made at tendered rates and beyond 125 *per cent*, at the CSR, increased or decreased by the percentage of tender premium or rebate. In four[22]test checked divisions, our scrutiny revealed that in 22 sub-works related to RBC, Mokhabardi LIS and Asolamendha Tank component of the project an additional cost of ₹ 92.84 crore was incurred on work items, beyond 125 *per cent* which were not anticipated at the time of framing the estimates. As of March 2017, total expenditure of ₹ 72.46 crore was incurred on above works.

The WRD stated that the estimates were prepared by taking trial pits at 500 m intervals for small structures and for large structures trial bores were taken. However, during execution, owing to certain modifications, on account of approved designs, extra quantities beyond 125 *per cent* and extra items cropped up.

### 2.1.8.6 Inefficient Planning

The following work was yet to be completed (November 2017) due to inefficient planning.

To avoid inflow of backwater from Gosikhurd reservoir in to the city, the construction of earthwork and stone pitching[23] for the road over the flood protection bund to Bhandara city was awarded (June 2009) for ₹ 15.91 crore with scheduled completion by December 2012. The permissions to join the bund to National and State Highway were, however, not taken from the National Highway Authority and State PWD respectively. Consequently, the work was held up since May 2012 after incurring an expenditure of ₹ 23.70 crore.

In February 2016, the contractor had requested for withdrawal of work under Clause-15 of the agreement citing the reasons that due to stoppage of work he was incurring losses on account of labour and machinery. No decision was, however, taken (February 2017) by the WRD.

The WRD stated that some decisions were pending with PWD and balance works would be completed by December 2018.

Thus, lack of planning resulted into non-completion of work despite incurring an expenditure of ₹ 23.70 crore.

### 2.1.8.7 Command Area Development and Water Management Programme

The Command Area Development and Water Management (CAD&WM) Programme was introduced (2008-09) by GoI to improve water use efficiency, to increase agricultural productivity and production and to make agriculture sustainable in a participatory environment. Under one of its component *viz*. On-Farm-Development, activities like construction of field channels, land leveling and shaping, realignment of field boundaries *etc*. were to be executed.

22 Ambhora LIS Division, Bhiwapur; RBC Division, Bramhapuri; Asolamendha Renovation Division, Nagbhir and RBC Division No. 1, Wahi

23 The act of revetting or paving with small rough-faced stones

The cost norm for this component was ₹ 22,000 per ha and to be equally shared between the Central and State Government. Further, 10 *per cent* of the total cost of work was to be recovered from the beneficiaries as a part of the State Government share.

It was observed that no funds were earmarked for CAD&WM works prior to the third RAA of the project. A total provision of ₹ 234.48 crore for CAD&WM programme had been made while according (September 2016) third RAA. As a result, an expenditure of only ₹ 15.00 crore had been incurred after covering an area of 13,893 ha under this programme (March 2017).

Moreover, the progress of CAD&WM works had also been hampered due to the farmers‟ reluctance in carrying out on-farm development activities. Further, 10 *per cent* beneficiary share was not being contributed by the farmers.

The WRD stated that for the sustainability of the project all the three cropping patterns were considered and the farmers were being encouraged to go in for more than one type of crop for their prosperity.

#### 2.1.8.8 Non-adherence to Government instructions

Scrutiny of records revealed following instances of non-adherence to Manual provisions and Government Resolutions/Circulars:

**Non-execution of plantation work**

The MoEF, GoI had cleared (February 1988) the environmental and forest clearance for the project subject to the conditions that tree plantation on either side of canals and roads, foreshore of reservoir and in the wasteland/vacant land should be done. It was observed that provisions for plantation was made in the Administrative Approval and revised AA. However, plantation works amounting to only ₹ 1.41 lakh were carried out against the provision of ₹ 13.76 crore made in the third RAA.

Thus, plantation works which were critical for maintaining the environmental balance were put on the backburner.

The WRD stated that plantation would be done through other plantation programmes.

**Irregular retention of Insurance charges, royalty and Workers Welfare Cess amount**

In four out of nine divisions, the recoveries made towards Insurance charges, Royalties and Workers Welfare Cess amounting to ₹ 3.60 crore from contractor‟s running account bills were kept in Civil Deposit head (i.e. Major Head 8443) instead of crediting the same into respective heads of account. The details are shown in the **Table 2.1.6.**

**Table 2.1.6: Details of recoveries made towards Insurance charges, Royalties and Workers Welfare Cess**

**(₹ in lakh)**

| Sr. No. | Name of the Division | Amount of Insurance charges | Amount of Royalty | Amount of Workers Welfare Cess | Total amount kept in deposit |
|---|---|---|---|---|---|
| 1 | Asolamendha Project Renovation Dn., Nagbhir | 24.45 | 22.47 | 4.35 | 51.27 |
| 2 | Ambhora Lift Irrigation Dn., Bhiwapur | 201.76 | 65.90 | - | 267.66 |
| 3 | RBC Dn., Bramhapuri | 37.28 | - | - | 37.28 |
| 4 | Gosikhurd Dam Division, Wahi (Pauni) | 3.78 | - | - | 3.78 |
| | **Total** | **267.27** | **88.37** | **4.35** | **359.99** |
| *Source : Information furnished by the selected divisions* | | | | | |

The WRD stated that the necessary action would be taken for depositing the amount into respective heads soon.

**Injudicious provision of insurance charges in estimates**

PWD issued (July 2005) instructions that all the works executed by different Government departments, semi-Government organizations or autonomous bodies were to be insured with the Director of Insurance (DoI), GoM, Mumbai. The DoI had also laid down that in case of non-production of proof of having insured the work with a Government insurance fund by the contractor, one per cent of the tendered cost was to be deducted from the bills of the contractor and deposited in the Government Insurance Fund as insurance charges.

Test check (May 2017) of three works executed by two[24] divisions, showed that insurance charge of one per cent was loaded in the estimates/Schedule of Rates. However, the insurance charges paid by the contractors ranged from 0.22 *per cent* to 0.31 *per cent* of the tendered costs. The contractor thus got undue benefit of ₹ 2.80 crore as detailed in **Appendix 2.1.2.**

The WRD stated that as per CSR, provision of insurance charges was made in the estimates. However, the matter of Insurance component would be taken care in the current CSR.

## 2.1.9 Rehabilitation and Resettlement Programme

The Maharashtra Project Affected Persons Rehabilitation (MPAPR) Act of 1986 (amended in 1999) prescribed guidelines to execute the rehabilitation work in Maharashtra State. It provided for rehabilitation of affected persons from affected zone to the benefitted zone of irrigation projects or elsewhere. The land acquisition process for acquiring the gaothan[25] area and agriculture land was carried out by the Revenue Authority of GoM. The State Government was required to provide 18 civic amenities in the prescribed scale and manner in the new gaothan or in the extended part of any existing gaothan established for the purpose of rehabilitation of affected persons.

24 Ambhora Lift Irrigation Division, Bhiwapur and Asolamendha Division, Nagbhir
25 Residential area of village

The resettlement of Project Affected Persons (PAPs) had been planned in three stages, as per the water level of dam. First stage was up to level 239.00 m, second stage was up to level 242.00 m and third stage was up to level of 245.50 m. As of March 2017, total expenditure of ₹ 1,262.19 crore had been incurred on the Rehabilitation and Resettlement (R&R) works. Rehabilitation of Stage 1 had been completed, and stages 2 and 3 were in progress. As of March 2017, the stage-wise position of rehabilitated PAPs is shown in **Table 2.1.7.**

**Table 2.1.7: Stage-wise position of number of affected villages, affected families, completion of civic amenities and shifting of families**

| Stage No. | No. of Affected Gaothan | No. of Rehabilitated Gaothan | No. of Rehabilitated Gaothan in which all 18 civic amenities were completed | No. of Affected Gaothan shifted | | No. of Affected families | Shifting of families | | No. of balance families to be shifted |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Fully | Partially | | Number | Percentage | |
| Stage 1 | 18 | 13 | 13 | 18 | 0 | 3215 | 3215 | 100 | Nil |
| Stage 2 | 40 | 28 | 28 | 17 | 23 | 6100 | 5021 | 82 | 1079 |
| Stage 3 | 27 | 23 | 13 | 6 | 21 | 5669 | 2400 | 42 | 3269 |
| **Total** | **85** | **64** | **54** | **41** | **44** | **14984** | **10636** | **71** | **4348** |

*Source : Information furnished by the Rehabilitation division*

Work on providing the basic amenities in the nine alternative sites were yet to start (November 2017) due to non-availability of land, non-preparation of estimates at government level and plotting of land.

The construction of basic civic amenities in 54 rehabilitated villages started in the year 1999 and was completed during the period from 2000 to 2016. Due to delay (one year to six years) in handing over the completed civic amenities[26] to the Zilla Parishad, the basic civic amenities already created deteriorated for want of proper maintenance. As of August 2017, an expenditure of ₹ 49.12 crore was incurred on maintenance and repair works of these civic amenities.

The WRD stated that the work of providing basic amenities would be completed by March 2018.

### 2.1.9.1 Double payment of compensation

As per Section 2 of the MPAPR Act, agricultural labour not being an occupant means a persons who did not hold any land in the affected zone but earned his livelihood principally by manual labour on agricultural land/any trade or working for gain in a *gaothan* in the affected zone for not less than five years.

The Governing Council of the VIDC decided (October 2001) to give ex-gratia payment to such villagers who had constructed houses outside gaothan area on the encroached forest/Government land and expected to pay ₹ 7.08 crore approximately for 900 families in 61 affected villages.

Scrutiny of the records revealed that out of 900 families, 172 families who got ex-gratia payment of ₹ 1.19 crore for having houses outside gaothan area on the forest/Government land also had houses within the gaothan area and had

26 Water supply system, Sewerage system, Market platforms, Grampachayat bhavan, Samaj Mandir, Internal roads *etc.*

already obtained compensation for the same. Thus, there was double payment of compensation of ₹ 1.19 crore.

The WRD stated that all the cases of PAPs to whom double payments were made would be scrutinised and reply would be furnished.

### 2.1.9.2 Delay in release of award amount

After declaration of compensation award by the Collector under Section 11 of the Land Acquisition Act, 1894, the executing agency was required to pay compensation amount to the revenue authority for onward disbursement to the PAPs. According to Section 31 and 34 of the LA Act, 1894, the Collector shall pay compensation amount before taking possession of the land. If such compensation amount was not paid prior to possession then the interest would be payable on the amount of compensation or part thereof.

It was noticed that for the award declared in 1999 to 2016, there were delay on the part of VIDC in releasing the due amount of ₹ 840.59 crore to Revenue authorities for onward disbursement to the PAPs prior to taking possession of the land. Hence, interest of ₹ 82.35 crore from date of declaration of award to the actual date of payment was paid for the delayed payment of compensation.

The WRD stated that information on funds demanded and actually received would be analysed and reply will be furnished.

## 2.1.10 Creation of Irrigation Potential and its utilisation

On completion of project, creation of Irrigation Potential (IP) of 2,50,800 ha was envisaged. During 2016-17, IP of 50,317 ha was created and out of which 37,733 ha was utilised. The component wise position of IP creation and utilization as of March 2017 is shown in the **Table 2.1.8.**

**Table 2.1.8 : Irrigation potential created and utilised**

**(Figures in ha)**

| | RBC | LBC | Asola-mendha | Tekepar LIS | Ambhora LIS | Mokhabardi LIS | Nerla LIS | Total |
|---|---|---|---|---|---|---|---|---|
| Targeted IP | 79894 | 40207 | 54879 | 7710 | 11195 | 28235 | 28680 | 250800 |
| Created IP | 10936 | 7238 | 10019 | 7710 | 10848 | 200 | 3366 | 50317 |
| Utilisation in 2016-17 | 6083 | 9300 | 10092 | 4500 | 4258 | 3500 | 0 | 37733 |
| *Source : Information furnished by VIDC* | | | | | | | | |

### 2.1.10.1 Non-formation of Water Users Association

As per the VIDC Act, Water Users Associations (WUAs) were required to be formed for each completed project for optimum and efficient utilization of water for irrigation purposes. Government also clarified that there should be no distribution of water to the beneficiaries until WUAs have been formed.

The status of formation of WUAs for each component of Gosikhurd Project is given in **Table 2.1.9.**

**Table 2.1.9: Status of formation of WUAs for each component**

**(Area in ha)**

| Sr. No. | Name of Component | Target for formation of WUAs | | Actual WUAs formed | | Working WUAs | |
|---|---|---|---|---|---|---|---|
| | | No. | CCA Area | No. | CCA Area | No. | CCA Area |
| 1 | RBC | 87 | 57265 | 30 | 11464 | 5 | 1278 |
| 2 | LBC | 72 | 32062 | 0 | 0 | 0 | 0 |
| 3 | Asolamendha tank | 94 | 43763 | 0 | 0 | 0 | 0 |
| 4 | Tekepar LIS | 22 | 6315 | 0 | 0 | 0 | 0 |
| 5 | Ambhora LIS | 22 | 8844 | 15 | 5856 | 7 | 2988 |
| 6 | Nerala LIS | 34 | 23991 | 0 | 0 | 0 | 0 |
| 7 | Mokhabardi LIS | 56 | 22516 | 0 | 0 | 0 | 0 |
| 8 | Other LIS | 0 | 5244 | 0 | 0 | 0 | 0 |
| | **Total** | **387** | **200000** | **45** | **17320** | **12** | **4266** |

*Source : Information furnished by the CE, Nagpur*

As against the target of 387 WUAs, 45 WUAs (11.63 *per cent*) had been formed as of June 2017; of which only 12 WUAs (27 *per cent*) were functional at Ambhora LIS and RBC Division No 1, Wahi. It was also noticed that Stage I of Ambhora LIS was commissioned in 2006-07 and Stage II was commissioned in 2009-10. However, the command area has not been handed over to the WUAs for recovery of water charges and ensuring operation and maintenance of the project.

The WRD stated that formation of WUAs was commensurate with IP creation. The facts remained that WUAs were not formed except for RBC and Ambhora LIS.

### 2.1.10.2 Evaporation losses

The State Water Policy, 2003 envisaged that measures to control evaporation from water bodies should be taken for attaining cost efficiency. As per the guidelines issued by GoM from time to time, pan-evaporimeters were to be installed at every project having CCA of more than 1,000 ha for exact assessment of evaporation losses.

Scrutiny of records revealed that the work of Dam, Spillway, Gates and Outlets of the Gosikhurd project has been completed and storage capacity of 650 $Mm^3$ has been achieved as of December 2016. But division had not installed the pan-evaporimeters on the dam as of April 2017 and also not maintained the records pertaining to the evaporation losses. Thus, there was no mechanism to assess the exact cause and quantum of water loss for taking corrective action.

The WRD stated that pan-evaporimeters would be installed by March 2018.

### 2.1.10.3 Non-levy of royalty charges

The levy and collection of water charges is governed by the Maharashtra Irrigation Act, 1976 (MIA) and Maharashtra Water Resources Regulatory Authority (MWRRA) Act, 2005. Up to September 2010, the water charges were prescribed by the WRD and from October 2010 onwards, the water charges are being fixed by MWRRA.

Water supply of 100 $Mm^3$ per year was assured to the National Thermal Power Corporation Limited (NTPC) for its 2,320 megawatt Thermal Power

Project situated at Mouda in Nagpur. Accordingly, an agreement was executed (August 2011) between NTPC and EE, Gosikhurd Dam Division, Wahi (Pauni). As per clause (ii) of the agreement for non-drawal of water, royalty @ five *per cent* was leviable. It was noticed that the division had recovered water charges on the water drawn by NTPC, however, the royalty charges amounting to ₹ 6.55 crore were not levied on account of non-drawal of water during the period from 2011-12 to 2014-15. This had resulted into revenue loss to the Government.

The WRD stated that the matter would be pursued at appropriate level.

## 2.1.11 Internal Controls and Monitoring

A sound project monitoring system needs to be in place for timely achievement of assigned goals. The deficiencies noticed in the internal control and monitoring are discussed below:

### 2.1.11.1 Inadequacies in supervision and monitoring

Considering the significance and complexity involved in the project works, the CE and SE were required to inspect the ongoing works as per norms[27] for ensuring both quality and progress of works. However, during the period 2012-17, they inspected the works by conducting 76 visits as against required 1,080 visits. At the divisional level, the EE and Dy. Engineer were required to pay 15 and 20 visits per month respectively for the technical inspection of the ongoing works. Further, the outcome of the inspections was required to be duly recorded in the Inspection notes. Visit registers had to be maintained at the divisional level.

There was short fall in conducting technical inspection in nine divisions ranging between 51 and 100 *per cent* in case of inspection by EEs and between 43 and 100 *per cent* in respect of inspections by Dy. Engineers. Thus, quality issues, distribution of water and its utilization, creation and utilization of IP could not be ascertained by the divisions.

The WRD stated that due to holding of frequent video conferences, there was proper supervision and monitoring system in place.

The contention was not tenable as EE and Dy. Engineer were required to visit the site of work and monitor execution of work which was not possible through video conferences.

MPW Manual prescribed that the EE who was responsible for the execution and management of all works within the division should carry out the inspection of Sub-divisional offices under his jurisdiction at least once in a year.

Scrutiny of records of nine test-checked divisions revealed that there was shortage of divisional staff comprising EEs, AEs, SEs and JEs which was ranging between 30 and 38 *per cent.* Further, there was shortfall in conducting

27 As per GoM Resolution of August 2002, eight visits per month by the CE and 10 visits per month by the SE to be carried out

the periodical inspection of Sub-divisional offices ranging between 20 and 100 *per cent*, as detailed in **Appendix 2.1.3**.

The WRD stated that in future inspection would be carried out as per norms and further stated that all officers are instructed to carry out regular inspections of the sub-ordinate offices.

Thus, due to shortage of manpower the monitoring and supervision of the project got impaired; even the desired result of IP creation could not be achieved.

#### 2.1.11.2 Monitoring of Dam

The safety of the dam needs to be continuously monitored for ensuring public safety, protection of downstream areas from potential flood hazard and to ensure continued accrual of benefits from the assets created.

GoM had issued (February 1962 and January 1982) detailed instructions for inspection of all the completed irrigation projects by the Executive and Superintending Engineer (at the pre-monsoon and the post-monsoon periods) at Division and Circle level to ensure requisite standards of maintenance and safety.

It was observed that no records of pre-monsoon and post-monsoon inspections carried out by the EE/SE were being maintained.

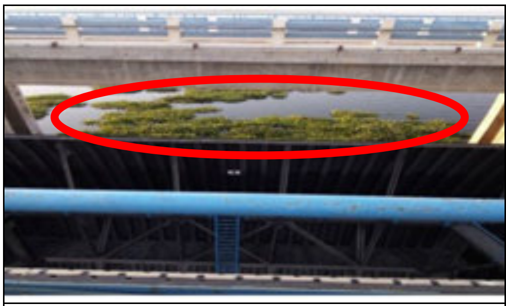
Regular dam maintenance work was necessary to reduce siltation by adopting appropriate Catchment Area Treatment (CAT). The CAT plan includes preparation of management plan for treatment of erosion prone area of the catchment through biological and engineering measures (farm forestry, graded bunding, check dams, plantation and pasture land development) to control the sedimentation of reservoir and provide eco-system conservation of the catchment area.

The catchment area of the Gosikhurd project covered 11,788 sq km area. Further, the main dam was completed in September 2009. However, CAT activities for 4,261 sq kms (36 *per cent*) only were carried out by the division even after lapse of eight years from the completion of dam.

The WRD stated that the detailed compliance would be furnished.

#### 2.1.11.3 Water Quality

The Nag River joins Kanhan River and then Wainganga River which also discharges the water into Gosikhurd Reservoir. Due to the release of 250 Million litre sewage water daily in the Nag River by Nagpur Municipal Corporation the reservoir was polluted as evident from the test reports of water quality carried out by the Maharashtra Pollution Control Board (MPCB). There were instances of mass death of marine life (May 2009). During the joint visit (6 March 2017) conducted by audit along with the officials of Gosikhurd dam division, it was observed that the water in the reservoir had turned black and there was dense growth of Water hyacinth as shown in the photographs below:

| | |
|---|---|
|  |  |
| **Echhornia Plant growth in front of gate No. 3 of the Gosikhurd Reservoir** | **Echhornia Plant growth in front Gate No. 13 of the Gosikhurd Reservoir** |

The MPCB had issued directions (July 2015 to December 2016) to NMC for taking necessary steps to prevent and control water pollution.

The WRD stated that the pollution level at Dam was very alarming and the matter was being pursued with appropriate authorities.

## 2.1.12 Conclusion

Due to faulty survey, there were overlaps in the irrigable command area. This necessitated changes in scope of the project. The works either could not start or were delayed after issue of work order due to non-acquisition of private/forest land. The time over-run coupled with deficient planning and preparation led to huge cost escalation from ₹ 372 crore to ₹ 18,494.57 crore. Further, due to irregularities in execution of the project, there was shortfall in release of funds by GoI. Though, the cost of project has been revised for the third time, sanction for revision was awaited from Central Water Commission for want of viable funding plan.

There was sub-standard execution of works in many components of the project. Certain works were not executed as per the approved drawings and design. Instances of delayed execution were also noticed owing to non-availability of land, failure to approve drawings and design and to obtain statutory permissions. Rectification works were being carried out slowly. Estimates were not prepared with due diligence resulting in execution of extra items or excess quantities. Manual provisions and contract conditions were violated resulting in granting of undue benefit to the contractors.

The rehabilitation of PAPs was delayed as the required civic amenities were either not created or were incomplete. In some cases, the amenities for PAPs were created much earlier than the actual rehabilitation resulting in deterioration for want of proper maintenance. Cases of double payment of compensation and delayed payment were noticed leading to excess financial burden on the public exchequer.

The irrigation potential created (50,317 hectares) was far less than the target (2,50,800 hectares) and the created potential was not utilised fully. 45 WUAs were created against the target of 387 WUAs. Pan-evaporimeters to monitor evaporation losses were not installed. The supervision by the department was minimal which resulted in substandard quality of work. Catchment Area Treatment plan to monitor siltation in the dam was not prepared. The dam water was polluted due to release of sewage in connecting rivers.

## 2.1.13 Recommendations

- **The Government needs to ensure timely acquisition of land.**
- **A viable funding plan needs to be chalked out for completion of balance works. The GoM may ensure sufficiency and timeliness in allocation of funds and their efficient and effective utilisation.**
- **The rectification works relating to LBC and RBC need to be completed early.**
- **Water Users Associations need to be formed during project construction period, so that completed projects can be handed over to them for regular operation and maintenance.**
- **Monitoring of the project needs to be strengthened by the department.**
- **Completion of canals and distribution networks in the command area of the projects need to be expedited to bridge the gap between irrigation potential created and utilised.**
- **Plan for desiltation of Catchment Area Treatment in the dam may be prepared.**

# CHAPTER - III

## AUDIT OF TRANSACTIONS

**3.1 Working of Co-Operative Spinning Mills in Maharashtra**

**3.2 Repairs and Maintenance of State Highways**

**3.3 National Horticulture Mission**

**3.4 Excess payment**

**3.5 Unfruitful expenditure**

**3.6 Undue benefit to a contractor**

**3.7 Unfruitful expenditure**

**3.8 Excess Payment**

**3.9 Blocking of funds**

**3.10 Unfruitful expenditure**

**3.11 Injudicious decision on procurement of Tur Dal**

**3.12 Idling of equipment purchased under Rashtriya Krishi Vikas Yojana**

**3.13 Delay and cost escalation due to lack of planning and frequent changes in scope of work**

# CHAPTER III

# CO-OPERATION, MARKETING AND TEXTILE DEPARTMENT

## 3.1 WORKING OF CO-OPERATIVE SPINNING MILLS IN MAHARASHTRA

### Introduction

The Cooperative Spinning Mills (CSMs) in Maharashtra are registered under the Maharashtra Cooperative Societies Act, 1960 (MCSA) to promote self-reliance and the sense of co-operation among cotton growers; to realise appropriate price for cotton and produce yarn of various counts and to sell them to the weavers and thereby improving the financial status of the cotton growers in the State. The CSMs are established by Board of Members of the Co-operative Society who decides to set up a Spinning Mill and get registered under Section 9 of the MCSA.

As per the bye-laws of the society, the composition of shareholders comprises general members, other co-operative societies of the area and Government. General members must be cotton producing farmers or other farmers from the working area of CSM and must possess one fifth hectare of land. Preferential shares are issued to Government. The face value of each share of the CSM is ₹ 2,000 and the maximum shareholding which a member can be allowed is one fifth of total shareholdings or ₹ 20,000 whichever is less. Regional Deputy Director of the region is Government representative in the Board of Directors of the CSM.

Co-operation and Textiles Department (CTD), Government of Maharashtra (GoM) had been providing financial assistance since June 1976 to the CSMs for their construction and erection, expansion, modernisation and rehabilitation. The assistance was given by GoM in the form of share capital contribution, loans, interest subsidy and guarantee for loan availed by the CSMs from financial institutions.

The Principal Secretary, CTD is responsible to oversee the activities of the CSMs. The Director of Textiles (DoT), Nagpur and four Regional Deputy Directors (RDDs) located at Aurangabad, Mumbai, Nagpur and Solapur execute the Government policies and monitor the activities of the CSMs.

As of March 2017, 280 CSMs were registered in the State of which 130 CSMs had received the financial assistance from GoM. The present status of these 130 CSMs is given in **Table 3.1.1**: The financial status of these CSMs have been mentioned in **paragraph 3.1.2.**

**Table 3.1.1: Status of 130 CSMs who received financial assistance from GoM in the State**

| Total No. of CSMs | Working CSMs | Under construction | Under liquidation | Closed | Converted to power loom | Deregistered |
|---|---|---|---|---|---|---|
| 130 | 66 | 21 | 29 | 7 | 1 | 6 |

## Scope and audit methodology

The audit of CSMs was conducted during February 2017 to May 2017 covering the period from 2012-13 to 2016-17. Records at offices of DoT, Nagpur and all four RDDs selected based on the categorization of CSMs were test-checked. Further, records of 14 CSMs (full production-5, partial[1] production-7 and under construction-2) have been scrutinized along with field visits to these CSMs. The replies received (September 2017) from the CTD have been considered while finalizing the subject matter.

## Audit findings

## 3.1.1 Planning for establishing CSMs

### 3.1.1.1 Non-formation of State Co-operative Council

Section 154 A of the MCSA provides for constitution of Maharashtra State Co-operative Council to advise the State Government on all the matters relating to co-operative movement; suggest ways and means to remove difficulties experienced by the co-operative societies; recommend the plans and policies for development of co-operative movements; evaluate the existing schemes and suggest new schemes for co-operative development *etc.*

There was no such council set up till date (November 2017) to discharge the mandatory functions under the MCSA. Thus, there was no appropriate platform to discuss and resolve the difficulties faced by the co-operative societies in spinning sector. Presently, the sector has been encountering many challenges *viz*, higher electricity charges, non-availability of working capital/loans, fluctuations in the rates for cotton procurement and delay in release of share capital by GoM.

The CTD stated that the matter of setting up of Co-operative Council was under consideration with the GoM.

### 3.1.1.2 Non-existence of separate plan for investment

The total cotton production in Maharashtra was 81[2] lakh bales[3] during 2014-17. Only 30 *per cent* of cotton bales (24.3 lakh bales) produced in the State was being utilised by all 160[4] working spinning mills in the State; 70 *per cent* of the cotton produced had been sold outside (March 2016[5]). The demand of yarn by weaving industries in the State was also not being fulfilled.

1 Construction is completed but all machinery to achieve full production are not installed
2 Information extracted from the website of Cotton Corporation of India
3 A large bundle or package of cotton (170 kg) tightly compressed and secured by wires or cords
4 10.57 lakh bales by 66 Co-operative Society Spinning Mills and balance 13.73 lakh bales by 94 Private Spinning Mills
5 Information for March 2017 not received from DoT

DoT estimated (December 2015) a requirement of 250 more spinning mills for utilising the cotton produced in the State to fulfil the demand of yarn by the weaving industries. However, no plan existed for utilization of cotton produced in the State by co-operative spinning mills.

CTD stated that the GoM had declared Textile Policy in 2012 and targeted planned growth of textiles between 2011-17 by providing investment of ₹ 40,000 crore to the textile units and hence in such a case there was no need to draw a separate plan by the DoT.

The reply confirms the audit contention that no plan of action was prepared to implement the Textile Policy *vis-a-vis* the CSMs.

### 3.1.1.3 Sanction of CSMs in non-cotton growing area

GoM had decided (August 1993) that 70 *per cent* of the CSMs would be set up in cotton producing areas and 30 *per cent* in non-cotton producing areas to safeguard the interest of cotton producers. The position of CSMs set up with Government assistance in the four regions of the State is indicated in the **Table 3.1.2**:

**Table 3.1.2: Region wise Co-operative Spinning Mills and area under cotton cultivation**

**(Area under cotton cultivation in lakh hectare)**

| Region | Area of cultivation during 2015-16 | Percentage to total Area | Cotton produced in lakh bales | Cotton utilized in lakh bales by CSMs | Number of mills | Percentage of total mills |
|---|---|---|---|---|---|---|
| **Nagpur** | 14.76 | 35.09 | 19.73 | 2.03 | 31 | 23.84 |
| **Aurangabad** | 18.05 | 42.91 | 9.25 | 0.43 | 28 | 21.53 |
| **Mumbai** | 9.23 | 21.94 | 9.76 | 2.36 | 19 | 14.61 |
| **Solapur** | 0.02 | 0.06 | 0.4 | 5.42 | 52 | 40 |
| **Total** | **42.06** | | | | **130** | |
| *Source: Data provided by Director of Textiles, Nagpur and Agriculture Department* | | | | | | |

Out of 130 mills, which received Government assistance, only 59 mills (45 *per cent*) are located in the Nagpur and Aurangabad regions which have 77.10 *per cent* of the area under cotton cultivation in the State. The Solapur region which accounts for less than one *per cent* of the area has 52 mills (40 *per cent*). This was a clear violation of the Government policy.

The CTD cited that as most of the weavers were located in non-cotton belt, hence, prior to 1993, substantial number of spinning mills sanctioned in non-cotton belt.

The reply was not convincing as 28 of the 52 CSMs (54 *per cent*) were set up in Solapur Region after 1993. The CTD did not follow Government policy to select 70 *per cen*t mills in the cotton producing areas.

### 3.1.1.4 Non-procurement of cotton from members

As per clause 5 of bye-laws for the CSMs, the mill should purchase cotton from Maharashtra State Cotton Federation/Cotton Corporation of India (CCI). In any case, the priority should be given to the members (cotton growers) of co-operative mills.

It was observed in test checked CSMs that 10[6] functional CSMs had procured 1,724.77 lakh kg cotton during 2012-17 from private parties within and outside the State without giving priority to their cotton grower members (55,859 members). The cotton procurement from cotton federation/CCI was made by two CSMs only in 2015-17 with negligible quantity of 3.2 lakh kg (0.84 *per cent*) to 25.18 lakh kg (13.23 *per cent*). This indicated that most of the cotton was purchased from private parties. Further, during 2012-17 only three[7] CSMs had procured cotton of 22.99 lakh kg to 76.81 lakh kg from their members, which was only six to 23 *per cent*.

It was also observed that one[8] CSM had procured viscose[9] from private parties outside Maharashtra during 2015-17 and had stopped procuring cotton.

The CTD stated that CSMs did not have ginning facilities in their project and hence it was not possible to procure cotton from cotton growing members.

Thus, the intended objective of setting up CSM, to provide support to cotton growers was frustrated due to non-inclusion of ginning units in their project.

### 3.1.1.5 Relaxation of norms for registration of CSMs

As per CTD resolution (August 2013), registration of CSMs should be done only when the CSM had raised members‟ share capital of two *per cent* of project cost. During, 2014-17 the standard project cost of a CSM was ₹ 61.74 crore according to which the members‟ share capital of ₹ 1.24 crore was required for registration.

It was observed that out of 28 proposals received for registration of CSMs during 2014-17, the Department approved registration of 10[10] CSMs having members‟ share capital of ₹ 25 lakh as these were located in Vidarbha and Marathwada regions, considered to be drought prone areas. This benefit was, however, not extended to the remaining 18 proposals of CSMs located in Vidarbha and Marathwada regions. The reasons were not found on records. It was also noticed that in these ten cases, where the members‟ share capital was reduced substantially, the Department did not even check whether the CSMs would be commercially viable.

The CTD assured that the norms of minimum members share capital would be maintained while sanctioning the share capital to the CSMs.

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6 Baba Saheb Kedar CSM, Hingna; Adishakti Muktai CSM, Muktainagar; Yashwant CSM, Ambad; Shetkari Vinkari CSM, Islampur; Sagareshwar CSM, Kadegaon; Mandeshi Prabodhankar CSM, Valuj; Indira Gandhi Mahila CSM, Ichalkaranji; Choundeshwari CSM, Ichalkaranji; Parvati CSM, Kurundwad and Loknayak CSM, Shahada

7 Loknayak CSM, Shahada during 2012-17; Baba Saheb Kedar CSM, Hingna during 2016 - 17 and Yashwant CSM, Ambad during 2012-13

8 Shetkari Vinkari CSM, Islampur, Sangli

9 Manmade cotton fibre

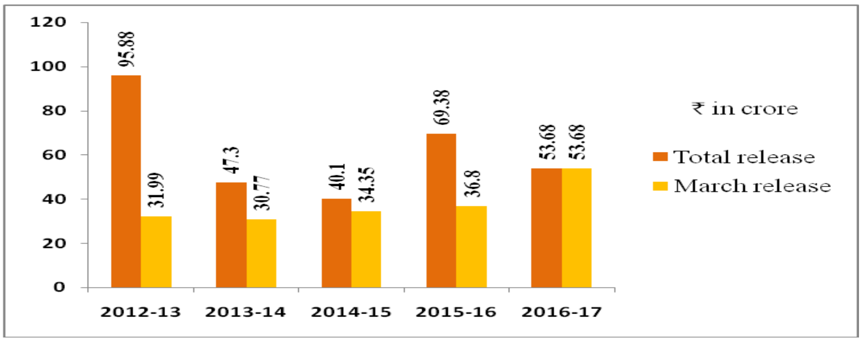
10 Jaibhavani Mahila CSM, Erandeshwar; Siddheswar CSM, Digras; Eklavya CSM, Pandharkawada; Girsamunda Adivasi CSM, Ralegaon; Sahakar Maharshi Dadasaheb Raval CSM, Sindkheda; Hirabalaji Backward Class CSM, Bhivapur; Wamanrao Nazardhane Backward Class CSM, Umarkhed; Loknete Gopinath Munde Backward Class CSM, Kaij; Matoshri Triveni Bonde Mahila CSM, Morshi and Ramdas Athawale Backward Class CSM, Digras

## 3.1.2 Financial Assistance

As of March 2017, GoM had provided share capital of ₹ 1,806.57 crore to 130 CSMs; loan of ₹ 134.88 crore to 29 CSMs; interest-free loan of ₹ 106.30 crore to 54 CSMs and loan of ₹ 294.51 crore to 16 CSMs from National Co-operative Development Corporation (NCDC) for their construction, expansion and modernization.

During 2012-2017, against the budget demand of ₹ 855.59 crore by DoT, CTD allocated ₹ 396.14 crore of which ₹ 306.34 crore was released to CSMs as share capital and remaining ₹ 89.80 crore was surrendered.

There were delays in release of funds by the CTD, with the bulk of funds being received in the last quarter of the year, leading to either rush of expenditure or surrender of funds (as shown in the diagram).




The CTD stated that delay occurred due to scrutiny of proposals at various levels and late compliance by CSMs to queries raised during scrutiny.

**Release of share capital by GoM**

As per Government Resolution of August 1993 and March 2000, out of total project cost of CSM, 45 *per cent* was to be provided by the Government as share capital. Five *per cent* was to be contributed by the members of CSM and the balance 50 *per cent* was to be mobilized by raising loans from the Financial Institutions (FIs). Before approaching Government for share capital contribution, the CSMs were required to obtain assurance from the FIs for grant of long term loans and also to hold minimum members" share capital contribution of at least 50 *per cent* (*i.e.* 2.5 *per cent* of the project cost). Further, as per CTD resolution (August 1993), share capital released to CSMs registered under MCSA was to be in the ratio of 1:9 (Members share: GoM share). The GoM share capital was to be released only after the required share capital from the members was deposited in the accounts of the Society. The above procedure was laid down to ensure construction and commissioning of CSM within prescribed period of two years from the date of sanction of the project.

In 27[11] of 130 CSMs, GoM had released Government share capital of ₹ 305.85 crore as against the required share capital of ₹ 202.59 crore (9 times of members share capital raised of ₹ 22.51 crore). This has resulted in excess release of Government share capital of ₹ 103.26 crore.

The CTD replied that share capital was released on ad-hoc basis so as to

11 Under production-8, Under construction-3, Under liquidation-11 and Deregistered-5

complete the project earlier.

The reply was not tenable because in 25 out of 27 CSMs, the CTD has released share capital prior to 2015. These CSMs therefore should have commenced production by 2017. However, only four CSMs were able to start production as of March 2017. Thus, the release of share capital on ad-hoc basis was not justified.

We also observed that 10 out of 14[12] test-checked mills had either delayed in taking long term loan or did not apply for it. Of these 10 CSMs, one[13] CSM did not apply for long term loan of ₹ 30.75 crore from FIs, even eight years after sanction of project. The entire GoM share capital of ₹ 27.67 crore was released between June 1994 and March 2015. The mill was still (November 2017) under construction with the spindle installations at 18 *per cent* of the sanctioned capacity. Remaining nine CSMs had taken long term loan ₹ 204.02 crore with delays ranging from four to 23 years though the GoM had released share capital of ₹ 230.53 crore.

The CTD stated that obtaining of loan prior to sanction of share capital from the State Government may cause heavy losses to the CSMs due to interest burden. CTD further stated that vide the circular of January 1998 it had instructed the CSMs to raise the loan after getting the complete share capital from the Government. Further, sanction of loan from the bank was being obtained before recommending the proposals.

The reply did not address the omission pointed out by audit as above. Further, the delays in raising loan indicated the slackness in establishing the CSMs in accordance with the CTD resolution (August 1993). This defeated the objective of the scheme and of the investment made by GoM.

### 3.1.3 Implementation of CSMs

As per CTD circulars (November 1992 and January 1998), the DoT should monitor the implementation of the project *i.e.* construction, timely procurement and installation of plant and machineries, commissioning of project within two years and observance of financial propriety by CSM. As per DoT guidelines (November 1992), spinning mills should be completed in all respect along with installation of plant and machinery within two years of sanction by the Government.

Twelve mills were completed (five functioning fully and seven functioning partly) out of 14 selected CSMs. In seven[14] mills there was delay in

12 Yashwant CSM, Ambad; Choundeshwari CSM, Ichalkaranji; Shetkari Vinkari CSM, Islampur; Indira Gandhi Mahila CSM, Ichalkaranji; Sagareshwar CSM, Kadegaon; Jawahar CSM, Chandur Railway; Adishakti Muktai CSM, Muktainagar; Chopda CSM, Chopda; Parwati CSM, Kurundwad; Madhukarrao Ghate Backward Class CSM, Mukhed; Mandeshi Prabodhankar Backward Class CSM, Valuj; Gautam Backward Class CSM, Parshivani; Babasaheb Kedar CSM, Hingna and Loknayak CSM, Shahada

13 Parvati CSM, Kurundwad, District Kolhapur sanctioned in September 2008

14 Jawahar CSM, Chandur Railway (₹ 27 crore); Gautam Backward Class CSM, Parshivani (₹ 24.80 crore); Yashwant CSM, Ambad (₹ 26.28 crore); Madhukarrao Ghate Backward Class CSM, Mukhed (₹ 22.02 crore); Mandeshi Prabodhankar CSM, Valuj (₹ 26.57 crore); Choundeshwari CSM, Ichalkaranji (₹ 27.45 crore) and Parvati CSM, Kurundwad (₹ 26.68 crore)

completion of construction of mills ranging from five years to 22 years due to various reasons *viz*. paucity of funds, delay in finalization of tender for civil work, delay in completion of work by the contractor and delay in raising long term loan. This resulted in escalation of project cost by ₹ 96.95 crore (from ₹ 324.44 crore to ₹ 421.39 crore) besides delaying the commissioning of CSMs resulting in lower production of yarn ranging from 0 to 27.35 *per cent* of the projected production. Thus, the investment of ₹ 180.80[15] crore made by GoM did not yield the desired result and the recovery of share capital could not be effected.

The CTD stated that now it was being emphasized upon CSMs to complete their project earlier.

#### 3.1.3.1 Blocking of funds

Government share capital released to the CSMs was required to be utilised as per the project report. Further, as per general condition of the payments for machinery, 10 *per cent* of the contract price was to be paid as security deposit with the supply order and mill had to issue letter of credit (confirmation for delivery) within 90 days and commencement of delivery of the machine was to be completed within 12 to 14 months.

A CSM[16] had paid (prior to 1991) the machinery advance amounting to ₹ 33 lakh to various agencies. As of March 2017, no machinery has been received by the mill and ₹ 33 lakh has been shown as bad debts in its annual accounts. Further, the CSM made short term deposit of ₹ 3.01 crore prior to 2011-12 in a Co-operative Bank[17]. However, neither interest was earned nor principal amount was received back by the CSM as of March 2017.

The CTD stated that action would be taken against the CSM as per MCSA.

A CSM[18] procured nine sets of auto control type Humidification plant[19] along with all accessories at a total cost of ₹ 62.83 lakh during May 2013 and February 2014, but the plant was not commissioned (September 2017) even though the mill started partial production. This resulted in idling of investment of ₹ 62.83 lakh on humidification plant. Further, due to non-utilization of humidification plant, the yarn per spindle was low *i.e.* 120.56 to 139.36 grams during 2014-16 as compared to 159.23 grams, envisaged in the project report.

The CTD stated that CSM would be instructed to start the humidification plant as early as possible.

A CSM[20] made advance payments of ₹ 5.36 crore since 2006, to eight agencies, as shown in the Annual Accounts for the year ending March 2016. The above amount was pending with various agencies for the past 10 years without levy of any penalty/interest by the CSM.

The CTD stated that action would be taken against the CSM as per MCSA.

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15 Share capital of ₹ 180.80 crore released to seven CSMs as shown in footnote 14

16 Loknayak CSM, Shahada, District Nandurbar

17 P K Anna Patil Co-operative Bank, Shahada, District Nandurbar

18 Parvati CSM, Kurundwad, District Kolhapur

19 The humidification Plant increases the humidity/moisture of air surrounding during processing of the cotton and thereby improving the quality

20 Shetkari Vinkari CSM, Islampur, District Sangli

#### 3.1.3.2 Extra payment to contractors

Cases of extra payment of ₹ 1.29 crore noticed in four out of 14 selected CSMs are detailed below:

As per Maharashtra Value Added Tax Act, 2002 (MVAT), deduction of value added tax at source was applicable on all payments made for works contract and accordingly deduction, @ two *per cent* in case of registered contractors and five *per cent* in case of unregistered contractors, was to be made from paid bills. It was observed that in three[21] out of 14 CSMs, value added tax amounting to ₹ 77.62 lakh was not deducted by the CSM from the bills paid (February 2012 to April 2017) to the contractors.

CTD stated that the CSM would be instructed to recover VAT from the contractor.

As per Central Excise Department notification (20 June 2012) read with Section 65 (14) of the Finance Act, 1994, the co-operative societies registered under Co-operative Societies Act, 1960 were not liable to pay Service Tax (ST). However, it was observed that a CSM[22] had paid ST amounting to ₹ 51.10 lakh during March 2012 to December 2013 to the contractor through the running account bills. As the service tax was not required to be paid, this resulted in extra payment to the agency.

CTD stated that CSM would be instructed to recover ST amount from the contractor.

### 3.1.4 Management of finances

Out of 130 CSMs set up, only 66 CSMs were functioning at the end of March 2016; out of these only seven CSMs were in profit. During 2012-16, there were 46 to 59 CSMs were running at a loss as shown in **Table 3.1.3:**

**Table 3.1.3: Details of CSMs functioning with profit and loss**

| Particular | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| No. of CSMs under production | 61 | 63 | 66 | 66 |
| No. of spindles installed (in lakh) | 14.24 | 14.60 | 14.68 | 14.84 |
| Production of yarn in ,000 kg | 143.54 | 149.97 | 150.21 | 142.83 |
| CSMs earning profit | 15 | 13 | 8 | 7 |
| Accumulated profit in ₹ crore | 6.02 | 5.98 | 14.98 | 13.40 |
| CSMs running at a loss | 46 | 50 | 58 | 59 |
| Accumulated loss in ₹ crore | 868.45 | 1024.79 | 1398.81 | 1594.49 |
| *Source: Data provided by Director of Textiles, Nagpur* | | | | |

The number of CSMs running at a loss increased from year to year during 2012-16. The total cumulative loss sustained by the mills was ₹ 1,594.49 crore at the end of March 2016 owing to many reasons *viz*. functioning of spindles at less capacity, fluctuation in market rate of raw cotton and produced yarn, depression in demand in certain years, depreciation and interest on term loans and cost of electricity. The DoT, Nagpur did not furnish the information for the year 2016-17.

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21 Yashwant CSM, Ambad; Mandeshi Probodhankar CSM, Valuj and Parvati CSM, Kurundwad

22 Chopda CSM, Chopda, District Jalgaon

The CTD accepted the facts and stated that regular persuasion was being made.

### 3.1.4.1 Non-creation of Redemption Fund and short credit of share capital by CSMs

As per CTD resolution (March 1999), one fifteenth of share capital released to CSMs would be redeemed/credited to the Government on or before 31 March every year, five years after the commencement of commercial production or the date on which the last installment of the GoM share capital was paid, whichever was later. To facilitate redemption of the share capital, the CSMs were required to create a share capital redemption fund by crediting to the fund an amount equal to a minimum of one fifteenth of the Government share capital every year, commencing from the fifth year after receipt of the share capital contribution.

As of March 2017, the GoM had released share capital of ₹ 1,806.57 crore to 130 CSMs. An amount of ₹ 375.61 crore out of ₹ 1,806.57 crore was due to be credited to GoM as on March 2017. It was observed that CSMs could credit only ₹ 40.63 crore by March 2017 and ₹ 334.99 crore was outstanding as detailed in the **Table 3.1.4.**

**Table 3.1.4: Details of share capital credited and outstanding with CSMs**

**(₹ in crore)**

| Position of Mills | No. of Mills | Released | Due for credit | Credited | Outstand-ing | *Per cent* of credit |
|---|---|---|---|---|---|---|
| Fully operational | 33 | 574.54 | 225.61 | 34.73 | 190.88 | 15.39 |
| Partly operational | 33 | 737.04 | 26.15 | 0.05 | 26.10 | 0.19 |
| Under construction | 21 | 310.81 | 0 | 0 | 0 | ---- |
| Closed | 7 | 72.66 | 16.83 | 0 | 16.83 | 0 |
| Under liquidation | 29 | 99.57 | 99.57 | 5.37 | 94.20 | 5.39 |
| De-registered | 6 | 7.45 | 7.45 | 0.48 | 6.97 | 6.39 |
| Converted to Power Loom | 1 | 4.50 | 0 | 0 | 0 | ---- |
| **Total** | **130** | **1806.57** | **375.61** | **40.63** | **334.98** | **10.82** |
| *Source: Data provided by Director of Textiles, Nagpur* | | | | | | |

Further, there was no credit of share capital from the closed mills and one converted mill. Recovery from mills under liquidation and de-registered mills was also very poor, ranging between 5.39 and 6.39 *per cent*.

It was further noticed that DoT, Nagpur had not maintained any record regarding creation of redemption fund by any CSM. In selected 14 CSMs, we observed that only one mill[23] had created the redemption reserve fund as required, four mills had created reserve fund of ₹ 28.46 crore against ₹ 55.78 crore required and the remaining nine CSMs had not created redemption reserve fund of ₹ 58.42 crore. Out of the 14 selected CSMs, four[24] CSMs had credited share capital of ₹ 6.55 crore against ₹ 43.49 crore though they had created share capital redemption fund of ₹ 28.31 crore as of March 2017.

23 Baba Sahaeb Kedar CSM, Hingna, District Nagpur

24 Baba Saheb Kedar CSM, Hingna; Loknayak CSM, Shahada; Sagareshwar CSM, Kadegaon and Indira Gandhi Mahila CSM, Ichalkaranji

The CTD stated that as the mills were running at a loss they could not make provisions for redemption fund. The Department was making regular efforts to make them provide for share redemption fund in their financial statements.

The reply was not convincing as the four mills which had redemption fund of ₹ 28.31 crore redeemed only ₹ 6.55 crore (March 2017). Further, the two[25] CSMs which were earning profits had also not refunded the share capital. Thus, there was shortfall in creation of reserve fund which ultimately affected the redemption of share capital.

### 3.1.4.2 Non-issue of share certificates by the CSMs

The resolution issued (March 1999) by CTD provided that the mills should issue „Preferential share certificates" for the shares issued to GoM within a period of 6 months from the date of receipt of share capital contribution failing which the entire amount of share capital would be liable to be called back.

The DoT had no records for monitoring the share certificates receivable and received from the CSMs. Further, there were no clear instructions as to how the share certificates received were to be treated.

Out of 14 selected CSMs, two[26] did not issue preferential share certificates to GoM for share capital of ₹ 66.12 crore and three[27] CSMs issued share certificates for share capital of ₹ 63.05 crore against share capital of ₹ 77.31 crore. Thus, Government investment was not safeguarded and DoT also did not take any action against the concerned CSMs.

The CTD stated that most of CSMs had deposited their share certificates and remaining was being pursued to submit the same. However, the facts remained that DoT did not take any action for non-issuance of share certificates to GoM within a period of six months from the date of receipt of share capital contribution.

### 3.1.4.3 Non-recovery of Government dues from CSMs which have closed/de-registered or gone under liquidation

As per the GoM policy (7 January 2005) the liquidation process should be finalized within 10 years from the date of liquidation. After finalization of liquidation process, the Government dues should be recovered.

In the State, 42[28] of 130 CSMs having liability of ₹ 294.70 crore of Government dues were either closed, de-registered or had gone under liquidation owing to multiple reasons *viz.* poor financial condition of the mill, inability to raise members" share capital, non-payment of electricity dues, non-payment of statutory dues, resignation of Board of directors *etc*.

As of March 2017, assets of 13 CSMs having liability of ₹ 295.69 crore (including Government dues of ₹ 42.37 crore) were auctioned for ₹ 154.50 crore and GoM dues to the extent of ₹ 15.35 crore only could be

25 Baba Saheb Kedar CSM, Hingna and Loknayak CSM, Shahada

26 Sagareshwar CSM, Kadegaon and Mandeshi Prabodhankar CSM, Valuj

27 Jawahar CSM, Chandur Railway; Adishakti Muktai CSM, Muktainagar and Shetkari Vinkari CSM, Islampur

28 29 CSMs (₹ 140.09 lakh) under liquidation, six CSMs de-registered and seven CSMs were closed

recovered, constituting 36.22 *per cent* of the total Government liability. Thus, the Government sustained loss of ₹ 27.02 crore on account of auctioned mills.

Further, the liquidation process of five mills which had gone under liquidation prior to March 2007 could not be finalized till date. The outstanding GoM dues amounted to ₹ 10.64 crore against these mills.

In respect of seven closed and six de-registered CSMs, the GoM had paid share capital contribution and loan of ₹ 154.60 crore, however, the recovery was only ₹ 47.62 lakh leaving huge outstanding balance of ₹ 154.13 crore.

The CTD stated that liquidators had been asked to take early action in this regard.

### 3.1.4.4 Poor recovery of loan/guarantee fees

The CTD had given loan for economic resurgence and taken guarantee for repayment of long term loan by the CSMs. The CSMs were required to repay the loan and guarantee fees *etc.* as per terms and conditions stipulated while sanctioning the same. It was observed that the recovery of loan along with interest as of March 2017 was very poor ranging from 8.62 to 24 *per cent* as shown in the **Table 3.1.5.**

**Table 3.1.5: Recovery status of loan**

**(₹ in crore)**

| Particulars | Period of payment | Number of CSMs | Amount paid | Amount recoverable along with interest | Amount recovered | Recovery in percentage |
|---|---|---|---|---|---|---|
| GoM loan | Details not made available | 29 | 134.88 | 175.26 | 18.09 | 10.32 |
| Guarantee fees to GoM | 1983- 2002 | 45 | --- | 28.08 | 2.42 | 8.62 |
| NCDC loan | 2007-2014 | 16 | 294.51 | 425.89 | 57.47 | 13.49 |
| Interest-free soft loan | 2011-2012 | 54 | 106.30 | 106.30 | 25.08 | 24 |
| *Source: Data provided by Director of Textiles, Nagpur* | | | | | | |

It was further observed that GoM had taken NCDC loan of ₹ 396.46 crore to invest in CSMs and released ₹ 294.51 crore to 16 CSMs. The details of balance loan ₹ 101.95 crore was not furnished to audit. Further, due to delay in payment of interest instalment by CTD, NCDC levied (September 2016) penal interest of ₹ 1.52 crore. However, this was not paid by CTD to NCDC till date (September 2017).

The CTD stated that some CSMs suffered loss hence they were unable to repay the funds. However, matter was being pursued with the concerned CSMs for repayment of the loan/guarantee fees at the earliest.

## 3.1.5 Monitoring

### 3.1.5.1 Inadequate inspection of construction work by Department

As per job chart prescribed by DoT, the Executive Engineers (EEs)/Junior Engineers (JEs) at office of Regional Deputy Directors (RDDs) were required to conduct two/four inspections of CSMs under construction every month. Further, each of the RDDs was required to conduct 24 supervisions every year to ensure proper utilisation of the financial assistance extended to the CSMs. The objective of the inspection was to ensure execution as per the approved plan and estimates, timely completion and to improve operational efficiency.

Our scrutiny revealed that at RDD, Nagpur during 2012-17, the number of inspections of CSMs under construction ranged between two to 17 *per cent* by JE. The details of visits by the EEs were not available. Further, there was no information available on inspection carried out at RDD, Aurangabad, Mumbai and Solapur. In RDD, Nagpur, no supervisions were carried out during 2012-15; while during 2015-17, 33 supervisions were carried out against the target of 48. As a result, execution as per approved plan and estimates and timely completion could not be ensured by the Department.

Further, RDDs were required to submit reports such as statements A and B containing progress of CSMs, cost sheet, utilisation certificates *etc*. to DoT. However, RDD, Nagpur did not submit any of the above reports to DoT. Information from RDD, Aurangabad, Mumbai and Solapur was not received despite repeated requests.

The CTD attributed the reasons towards vacancy of JEs for more than five years.

### 3.1.5.2 Non-maintenance of ledgers/registers relating to financial assistance at RDD level

Scrutiny of files/records at RDD offices[29] revealed that spinning mill-wise ledger/ records to keep a watch over different categories of financial assistance to the CSMs and the progress of recovery made was not being maintained. Further, no record was kept for the proposals submitted to DoT by CSMs. It was noticed that regional offices were functioning with a restricted mandate of pursuing the matter relating to recovery of Government dues. The Directorate office was also not maintaining the ledger/records to watch the utilisation and recovery of financial assistance extended to the CSMs.

In the absence of records, internal control and monitoring mechanism existed in RDD offices and DoT was found ineffective.

The CTD stated that ledgers, registers related to financial assistance were being maintained at Directorate level.

Reply was not tenable since the ledgers and registers had not been updated and properly maintained as verified during audit.

29 Aurangabad, Mumbai, Nagpur and Solapur

### 3.1.5.3 Irregular commissioning of spinning mill without obtaining consent to operate from Pollution Control Board

As per provisions of the Water (Prevention and Control of Pollution) Act, 1974, every industry, factory, mill, plant *etc.* should obtain necessary consent to operate from the State Pollution Control Board and provide for effluent treatment plant as per environmental guidelines before starting the commercial production; failing which stringent penalties and fines are imposable under the Act.

We observed that seven[30] out of 14 selected CSMs started commercial production without obtaining consent to operate from the State Pollution Control Board.

The CTD stated that the CSMs were being instructed to take necessary action.

### 3.1.5.4 Non-mortgaging property of mill to Government in lieu of share capital

GoM issued (March 2014) instructions that for refund of total Government share capital and loan released to the CSMs, the Board of Directors were personally and collectively responsible. It was directed to Director of Textiles to take necessary action to mortgage CSMs property as well as 20 *per cent* of the personal properties of Board of Directors in case of default in repayment by the CSMs.

During March 2014 to March 2017, share capital of ₹ 213.47 crore was released to 33 CSMs in the State. It was observed that DoT got mortgaged 20 *per cent* of the personal properties of Board of Directors for share capital of ₹ 62.81 crore in respect of 13 CSMs only. Similar action was not taken by the DoT for remaining 20 CSMs to whom share capital of ₹ 150.66 crore was released.

Thus, DoT did not ensure safeguarding the Government investment which was at risk as seen from the fact that there was huge liability (89 *per cent*) towards repayment of share capital by the CSMs as mentioned in the **Paragraph 3.1.4.1.**

The CTD stated that banks had been instructed not to release the amount of share capital to CSMs without clearance from the DoT.

## 3.1.6 Conclusion

The State Co-operative Council was not established to address the issues faced by the CSMs. No plan was prepared to ensure utilisation of cotton production in the State and for producing yarn to meet the requirement of weaving industries.

There were instances of excess release of funds to CSMs from the GoM. In majority of cases, CSMs failed to mobilise minimum required members" share capital (five *per cent* of the project cost).

30 Jawahar CSM, Chandur Railway; Gautam Backward Class CSM, Parshivani; Chopda CSM, Chopda; Yashwant CSM, Ambad; Shetkari Vinkari CSM, Islampur; Choundeshwari CSM, Ichalkaranji and Parwati CSM, Kurundwad

Only 66 mills were functional out of 130 CSMs which had received financial assistance from the Government. The performance of the mills, in terms of profitability, was far from satisfactory as only seven mills out of 130 recorded profits in the past five years. Refund of financial assistance availed by the CSMs was very poor. In majority of cases, reserve fund for redemption of GoM share capital was not created by the CSMs.

The recovery of loans was meagre with huge outstanding dues. Records for monitoring the progress of the mill and to watch Government recovery were not being properly maintained at the Directorate level. There was inadequate inspection of construction work, shortfall in supervision by the Regional Deputy Directors. Mortgaging the mills‟ property to GoM to safeguard the Government investment was also not done.

### 3.1.7 Recommendations

- **State co-operative council needs to be set up at the earliest. Plan with definite milestones/targets may be prepared for augmenting the efficiency of CSMs.**
- **The State Government needs to exercise due diligence in granting financial assistance to the CSMs with a mechanism to ensure the utilisation of funds effectively.**
- **The State Government may ensure creation of reserve fund by CSMs for redemption of Government share capital.**
- **The inspection and monitoring by the Government authorities need to be strengthened. Government investment should be safeguarded by mortgaging the mills' property.**

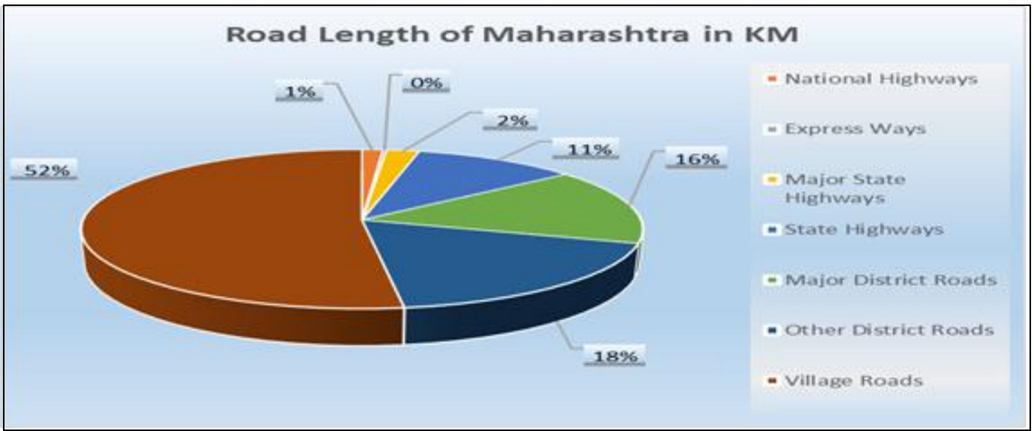
# PUBLIC WORKS DEPARTMENT

## 3.2 Repairs and Maintenance of State Highways

### Introduction

The State had 382 State Highways covering 35,754.68 km and 16 Major State Highways covering 7,035.04 Km, which constituted about 13 *per cent* of the total road length in the State. The Public Works Department (PWD) under Government of Maharashtra (GoM) is responsible for the construction and maintenance of roads, bridges and buildings in the State. The development of roads in the State is required to be done in accordance with the Road Development Plan (RDP) which remains in force for 20 years. The RDP 2001-2021 is presently in force since April 2012. Further, classification of National Highways (NHs), Express Ways (EWs), Major State Highways (MSHs), State Highways (SHs), Major District Roads (MDRs), Other District Roads (ODRs) and Village Roads (VRs) are also shown in the RDP.

**Details of total road length in Maharashtra**




*Source: Road Development Plan (RDP) 2001-2021*
*Note: As per RDP 2001-2021, total length of Expressway in the State, as of April 2012, is 811.85 km which is 0.24 per cent of total length of roads in the State*

**Table 3.2.1: Details of total road length in Maharashtra**

| Sr. No. | Type of road | Percentage | Length in Kms |
|---|---|---|---|
| 1 | National Highways | 1 | 4,509.09 |
| 2 | Expressways | 0 | 811.85 |
| 3 | Major State Highways | 2 | 7,035.04 |
| 4 | State Highways | 11 | 35,754.68 |
| 5 | Major District Roads | 16 | 51,993.71 |
| 6 | Other District Roads | 18 | 61,158.56 |
| 7 | Village Roads | 52 | 1,75,731.48 |
| | Total | 100 | 3,36,994.41 |

*Source: Road Development Plan (RDP) 2001-2021*

The GoM provides the budget under Major Head (MH) „3054-Roads and Bridges" for repairs and maintenance (R&M) works of SHs and MSHs. The repairs work is classified into following six groups as shown in **Table 3.2.2**.

**Table 3.2.2: Details of authority for approval of repairs works**

| Name of Group | Nature of repairs | Authority for approval of repairs works |
|---|---|---|
| A | Current Repairs | Executive Engineer (EE) |
| B | Special Repairs/Periodical renewal/ improvement works | Principal Secretary, PWD, GoM |
| C | Geometrical improvement of Accident prone zone | Chief Engineer (CE) after approval from GoM |
| D | Others and Miscellaneous works | Superintending Engineer (SE) after approval from CE |
| E | Flood Damage Repair (FDR) works | Chief Engineer |
| F* | Programme for Repairs | Principal Secretary, PWD, GoM |

Source: PWD, GR of June 2002
*Introduced from November 2015

Each Division prepares an Annual Repair Programme (ARP) for undertaking the R&M works under each category of group, duly approved by the respective Competent Authority. As per GoM guidelines (June 2002), the grants sanctioned for one group should not be utilised for another group and normally the grants should be utilised/exhausted on the works sanctioned in the ARP first and then only new works should be taken for R&M. The Government decided (October 2017) that from financial year 2017-18, two year maintenance programme will be sanctioned at Government level, for stretches of at least 10 kms, of one sanctioned work.

## Organisational set up

The PWD is headed by the Principal Secretary and the functions are controlled by the Secretary (Roads) and the Secretary (Works). The implementation of various road works in Public Works Region (PWR) is carried out under the technical control of seven[31] CEs, who are assisted by 21[32] SEs in-charge of Circles, and responsible for administration and execution of works within the Circles. The Executive Engineers (EEs) working under the SEs are in-charge of the Divisions and are responsible for awarding and execution of works. Besides, six[33] Vigilance and Quality Control (V&QC) Circles headed by SE in six PWRs discharge quality control functions for works to be executed.

Principal Secretary at Mantralaya level ⇨ Secretary (Works) & Secretary (Roads) ⇨ Chief Engineers (PWRs) ⇨ Superintending Engineers (PWCs) ⇨ Executive Engineers (87 Divisional offices)

## Audit Scope and Methodology

The audit was conducted (January to August 2017) covering the period 2012-13 to 2016-17 with a view to assess the adequacy and effectiveness of repairs and maintenance of the state highways. The records in the office of

31 Amravati, Aurangabad, Mumbai, Nagpur, Nashik, Pune and Special Project, Mumbai

32 Mumbai, Thane, Ratnagiri, Raigad, Pune, Satara, Solapur, Kolhapur, Nashik, Jalgaon, Dhule, Ahmednagar, Aurangabad, Nanded, Osmanabad, Amravati, Akola, Yavatmal, Nagpur, Chandrapur, and Gadchiroli

33 Navi Mumbai, Pune, Nashik, Aurangabad, Amravati and Nagpur

Principal Secretary, PWD in *Mantralaya*, four[34] CEs, 14[35] SEs and 15[36] EEs were selected for test-check. Audit also jointly inspected two works in each test checked division.

The reply of the Government received (October 2017) has been considered while finalizing the report.

## Audit findings

## 3.2.1 Planning

**Annual Repairs Programme**

Every year, the EE being the Divisional head was required to survey the roads under him before monsoon and prepare the ARP, showing the details of R&M works to be taken up group wise. After approval of the ARP, the Divisions were to take up the repairs works commensurate with the funds sanctioned by GoM on the basis of priority of works.

The PWD at Mantralaya level did not maintain details of total R&M works of SHs planned, completed and incomplete for the entire State. Thus, in the absence of requisite details, Audit could not ascertain the actual number of works planned, completed and not completed for the period 2012-17. However, the year wise position of the R&M works of SHs in 15 test-checked divisions is shown in **Table 3.2.3.**

**Table 3.2.3: Year-wise position of SHs and MSHs planned and completed in respect of selected divisions**

| Year | Planned | Completed | Incomplete | Percentage incomplete |
|---|---|---|---|---|
| 2012-13 | 2552 | 2357 | 195 | 8 |
| 2013-14 | 3526 | 3323 | 203 | 6 |
| 2014-15 | 2787 | 2640 | 147 | 5 |
| 2015-16 | 3619 | 3389 | 230 | 6 |
| 2016-17 | 3190 | 2932 | 258 | 8 |
| Total | 15674 | 14641 | 1033 | 7 |

*Source: Information furnished by respective Divisions. EE, PW Employment Guarantee Scheme (EGS), Ahmednagar did not provide information for the year 2012-13 and 2013-14*

It was observed that 93 *per cent* R&M works in the selected divisions were completed and seven *per cent* remained incomplete. There was an upward trend in planning and execution of repairs works during the period 2012-14 and marginal decline noticed in 2014-15 and 2016-17.

## 3.2.2 Budget resources

### 3.2.2.1 Grants released and expenditure incurred

The PWD did not maintain SH/MSH/MDR wise expenditure, since budget allotment was made under the head "3054-M&R of Road and Bridges". The State wise position of Grants demanded, Budget estimates, Grants released

34 Nashik, Pune, Nagpur and Aurangabad

35 Thane, Pune, Satara, Solapur, Kolhapur, Nashik, Jalgaon, Dhule, Ahmednagar, Osmanabad, Nanded, Nagpur, Chandrapur and Aurangabad

36 Shahada, Ahmednagar, Pune, Miraj, Satara, Solapur, Osmanabad, Parbhani, Thane, Nashik, Jalgaon, Gondia, Bhandara, Aurangabad, Wardha

and Expenditure incurred for the period 2012-13 to 2016-17 is shown in **Table 3.2.4.**

**Table 3.2.4: State-wise position of grants demanded, budget provisions, grants released and expenditure incurred**

**(₹ in crore)**

| Year | Grants Demanded | Budget Provision | Grants Released | Short Release | Expenditure with reference to demand |
|---|---|---|---|---|---|
| 2012-13 | 3758.70 | 1374.00 | 1374.00 | 2384.70 | 1374.00 |
| 2013-14 | 6043.62 | 1600.00 | 1600.00 | 4443.62 | 1600.00 |
| 2014-15 | 6665.63 | 1745.75 | 1745.75 | 4919.88 | 1745.75 |
| 2015-16 | 7257.83 | 1682.69 | 1667.69 | 5590.14 | 1667.69 |
| 2016-17 | 6441.95 | 1609.33 | 1454.80 | 4987.15 | 1454.80 |
| **Total** | **30167.73** | **8011.77** | **7842.24** | **22325.49** | **7842.24** |

*Source:- Budget Estimates for the respective years and information furnished by the PWD*
*Note: The above figures include of SHs as well as MDRs since PWD did not have separate bifurcation for SHs only*

Further, the details of Grants demanded, Grants released and Expenditure incurred for the period 2012-13 to 2016-17 in the selected Divisions is shown in **Table 3.2.5.**

**Table 3.2.5: Division-wise details of grant demanded, budget provisions, grants released and expenditure incurred**

**(₹ in crore)**

| Sr. No. | Name of Division | Grants Demand-ed $ | Grants Released | Short Release | Expend-iture | Percentage of short release of fund | Average annual release of Grants |
|---|---|---|---|---|---|---|---|
| 1 | EE, PW Division No. 2, Thane | 118.04 | 51.41 | 66.63 | 51.41 | 56 | 10.28 |
| 2 | EE, PW Division, Jalgaon | 133.84 | 45.98 | 87.86 | 45.98 | 66 | 9.19 |
| 3 | EE, PW Division, Shahada | 186.52 | 90.01 | 96.51 | 90.01 | 52 | 18.00 |
| 4 | EE, PW (South) Division, Pune | 258.49 | 89.34 | 169.15 | 89.34 | 65 | 17.86 |
| 5 | EE, PW Division, Miraj* | 211.49 | 64.19 | 147.30 | 64.19 | 70 | 12.83 |
| 6 | EE, PW Division, Satara | 170.99 | 83.28 | 87.71 | 83.28 | 51 | 16.65 |
| 7 | EE, PW Division No. 2, Solapur | 251.74 | 51.22 | 200.42 | 51.22 | 80 | 10.24 |
| 8 | EE, PW Division, Osmanabad | 159.77 | 66.61 | 93.16 | 66.61 | 58 | 13.32 |
| 9 | EE, PW Division, Parbhani | 291.36 | 81.89 | 209.47 | 81.89 | 72 | 16.37 |
| 10 | EE, PW Division, Aurangabad* | 416.00 | 117.30 | 298.70 | 117.30 | 72 | 23.46 |
| 11 | EE, PW Division, Bhandara | 17.55 | 11.83 | 5.72 | 11.83 | 33 | 2.36 |
| 12 | EE, PW Division, Nashik* | 60.07 | 10.02 | 50.05 | 10.02 | 83 | 3.34 |
| 13 | EE, PW (EGS), Ahmednagar | 82.76 | 42.73 | 40.03 | 42.73 | 48 | 8.54 |
| 14 | EE, PW Division, Gondia | 155.83 | 117.26 | 38.57 | 117.26 | 25 | 23.45 |
| 15 | EE, PW Division, Wardha | 182.45 | 81.57 | 100.88 | 80.57 | 55 | 16.31 |
| | **Total** | **2696.80** | **1004.64** | **1692.16** | **1003.64** | | |

*Source: Information furnished by respective Divisions *EE, PW Division, Nashik and Aurangabad did not furnish Information for the years 2012-13 and 2013-14 and EE, PW Division, Miraj did not furnish the information for the year 2012-13*
*$ Grants demanded included grants of ₹1,389.98 crore towards outstanding bills of previous years.*

In the selected 15 divisions, expenditure incurred on R&M of SHs during 2012-17 was ₹ 1,003.64 crore. The grants released for execution of ARPs were less than the grants demanded. The gap/shortfall ranged between 25 and 80 *per cent*. Despite the short release of grants *vis-a-vis* the grants demanded, the Divisions executed all the works in the ARP without prioritising the works to be executed commensurate with the grants received. Resultantly, the works planned in the ARPs either remained incomplete or were completed but bills remained outstanding thereby creating liability. This was against the codal provisions and CVC guidelines, that contractors bills should not be kept pending for long.

The Government stated that the grants were released region-wise to remove backlog in backward region, hence there was gap between funds demanded for repairs and grants released.

The reply was not tenable as there was gap between the funds demanded and released due to execution of all works in the ARPs by the Divisions without considering the fund allotment/releases as discussed in **Paragraph 3.2.2.2**.

### 3.2.2.2 Creation of liability due to excess execution of works

Central Vigilance Commission (CVC) observed (March 2005) that in a large number of Government organizations, payments to contractors were inordinately delayed, making the systems vulnerable to corruption and had directed all the Chief Vigilance Officers to undertake a review of bills to primarily determine the time taken in clearing the bills. Thus, delays in payment of bills once services had rendered by private agencies should not be encouraged.

GoM also advised (June 2002) that the works should be taken up commensurate with the actual fund released. It was noticed that the Divisions, invited tenders for all works included in the ARPs and issued work orders to the contractors instead of restricting these to their budget allotments. This was against the codal provisions and CVC guidelines. The works were executed by the contractors and then bills were kept pending. Two case studies are discussed below:

**Case study I**

During the period from 2012-13 to 2016-17, EE, PWD, Aurangabad had raised demand with the GoM for release of funds of ₹ 416 crore (which included previous years pending bills of ₹ 283.29 crore) for execution of 1,150 repairs works included in the ARPs. GoM however, released ₹ 117.30 crore only (28 *per cent*). The EE invited tenders for all 1,150 works included in the ARPs, without prioritizing the works considering the funds allotment to the division. As a result, contractors" bills amounting to ₹ 128.38 crore for R&M works were pending clearance (March 2017).

**Case study II**

EE, PW (South) Division, Pune had planned 1,660 repair works costing to ₹ 258.49 crore during the period 2012-13 to 2016-17 (which included previous years pending bills of ₹ 100.04 crore). The GoM released funds of ₹ 89.34 crore (35 *per cent*). The Division did not revise ARPs commensurate with the budget allotted and took up all the R&M works included in the ARPs, thereby creating an outstanding liability of ₹ 64.05 crore (March 2017) on account of unpaid contractors" bills.

In the test checked 15 divisions, a total liability of ₹ 368.35 crore had been created as on 31 March 2017, on account of unpaid bills of contractors. The age-wise pendency of bills is shown in **Table 3.2.6.**

**Table 3.2.6: Age-wise pendency of Contractors' bills in selected PW Division**

**(₹ in crore)**

| Sr. No | Name of PW Division | Pending for more than six months but less than one year | | Pending for more than one year but less than two years | | Pending for more than two years | | Upto date position of pendency of bills as on 31.03.2017 | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of Bills | Amount | Number of Bills | Amount | Number of Bills | Amount | Number of Bills | Amount |
| 1 | EE, PW Division No.2, Thane | 52 | 1.53 | 100 | 2.92 | -- | -- | 152 | 4.45 |
| 2 | EE, PW Division, Jalgaon | 242 | 13.12 | 200 | 11.34 | -- | -- | 442 | 24.46 |
| 3 | EE, PW Division, Shahada | 61 | 2.10 | 60 | 5.83 | 30 | 2.38 | 151 | 10.31 |
| 4 | EE, PW (South) Division, Pune | 297 | 20.96 | 563 | 39.52 | 800 | 3.57 | 1660 | 64.05 |
| 5 | EE, PW Division, Miraj | 73 | 2.19 | 11 | 3.44 | 2 | 1.98 | 86 | 7.61 |
| 6 | EE, PW Division, Satara | 171 | 4.60 | 43 | 5.32 | -- | -- | 214 | 9.92 |
| 7 | EE, PW Division No. 2, Solapur | 172 | 6.76 | 82 | 6.06 | 3 | 0.10 | 257 | 12.92 |
| 8 | EE, PW Division, Osmanabad | 06 | 1.33 | 47 | 16.48 | -- | -- | 53 | 17.81 |
| 9 | EE, PW Division, Parbhani | 152 | 6.65 | 289 | 14.05 | 462 | 35.12 | 903 | 55.82 |
| 10 | EE, PW Division, Aurangabad | 143 | 14.93 | 747 | 54.55 | 571 | 58.90 | 1461 | 128.38 |
| 11 | EE, PW Division, Bhandara | 33 | 1.59 | -- | -- | -- | -- | 33 | 1.59 |
| 12 | EE, PW Division, Nashik | 116 | 5.52 | -- | -- | -- | -- | 116 | 5.52 |
| 13. | EE, PW (EGS), Ahmednagar | 19 | 1.23 | 20 | 2.42 | 1 | 0.04 | 40 | 3.69 |
| 14 | EE, PW Division, Gondia | 87 | 5.53 | -- | -- | -- | -- | 87 | 5.53 |
| 15 | EE PW Division, Wardha | -- | -- | 138 | 7.65 | 29 | 8.64 | 167 | 16.30 |
| | **Total** | **1624** | **88.04** | **2300** | **169.58** | **1898** | **110.73** | **5822** | **368.35** |

*Source: Information furnished by respective Divisions*
*Note: Outstanding bills included bills prior to 2012-2013*

An analysis of pending bills revealed that out of 5,822 pending bills involving ₹ 368.35 crore, 2,300 bills for ₹ 169.58 crore were pending for more than one year; and 1,898 bills involving ₹ 110.73 crore were pending for more than two years. We also observed that in respect of at least eight[37] Divisions, as on March 2017, the liability was more than the total annual average expenditure of these Divisions.

While accepting the facts, Government stated that to keep the roads traffic worthy, the repair works were undertaken even if there was no budgetary provision. However, efforts were being made to reduce the liability of pending bills by obtaining additional grants and sanctioning the works within the available funds.

37 (i) EE, PWD, Jalgaon; (ii) EE, PW (South), Pune (iii) EE, PWD No. 2, Solapur; (iv) EE, PWD, Osmanabad (v) EE, PWD, Parbhani, (vi) EE, PWD, Aurangabad (vii) EE, PWD, Nashik and (viii) EE, PWD, Wardha

### 3.2.2.3 Diversion of expenditure from one group to another

As per detailed guidelines (June 2002) of GoM/PWD, the funds available in one Group should not be utilised for another Group without the prior approval of Government.

Scrutiny in two[38] Divisions revealed that funds sanctioned by CE under "Group E- Flood Damage Repair Works" were diverted for execution of 22 works costing ₹ 1.89 crore of "Group A-Current Repair works" without approval of Government.

EE, PWD, Jalgaon and EE, PWD, Bhandara stated (March/July 2017) that due to heavy rainfall in the area, the riding surface was totally damaged and since the Group E programme was already approved, the works of "Group A" programme were sanctioned and executed from Group E funds.

The Government stated that officers were warned not to repeat such diversion of funds, and steps were being taken at GoM level so that no diversion of funds could be made by Circles/Divisions from one group to another group.

### 3.2.2.4 Non-revision of norms for repairs and maintenance

GoM had laid down (November 1995) the norms for R&M of roads and bridges and accordingly permissible expenditure for SH and MSH was in the range of ₹ 25,600 to ₹ 38,200 per km/year.

Scrutiny of records of 15[39] test checked EEs revealed that the average annual expenditure incurred on R&M of the road length of 8,618.70 km of SHs for the period 2012-13 to 2016-17 was ₹ 223.74 crore as against the admissible average annual expenditure of ₹ 32.93[40] crore. Thus, though there was excess expenditure of ₹ 190.81[41] crore on R&M (per km expenditure in the range of ₹ 0.74 lakh to ₹ 6.17 lakh), the field functionaries did not propose for revision of norms for R&M works.

The Government stated that necessary orders to redefine the repairs and maintenance norms and formation of mechanism for annual updation was being formulated and would be issued soon.

### 3.2.2.5 Original works executed from R&M grants

As per PWD guidelines (November 1995), original works should have been done under „MH 5054 Capital outlay on Roads and Bridges‟ and were not to be executed with the R&M grants.

In six Divisions it was revealed that 14 original works were executed at the cost of ₹ 30.49 crore from the R&M funds received under Major Head - "3054-Road and Bridges", contrary to the Government guidelines as shown in **Appendix 3.2.1.**

38 EE, PWD, Jalgaon and EE, PWD, Bhandara

39 Ahmednagar, Jalgaon, Miraj, Nashik, Pune, Satara, Shahada, Solapur, Thane, Parbhani, Osmanabad, Bhandara, Aurangabad, Gondia and Wardha

40 Total Length of SHs and MSHs (8,618.70 Kms) X ₹ 38,200 per km=Admissible expenditure as per norms (₹ 32.93 crore)

41 Total actual expenditure ₹ 223.74 crore (-) Expenditure as per norm ₹ 32.93 crore=Excess expenditure of ₹ 190.81 crore

The Government stated that new guidelines specifying maintenance activities and original works involving capital expenditure would be issued immediately.

## 3.2.3 Awarding of contracts

The irregularities in contract management like awarding of works to single bidders and splitting of works are discussed below:

### 3.2.3.1 Awarding of work to single tenderer

CVC guidelines (April 2008) stipulated that if single tender was received in the first call, it should be cancelled without opening the bid and tenders be re-invited. If single tender was received, even after re-tendering, it could be accepted only with detailed justification, indicating the importance of the work, in support of the acceptance with the approval of the Competent Authority. The guidelines did not permit post tender negotiations. If negotiations were warranted under exceptional circumstances, it could be with lowest bidder only, if the tender pertained to the award of work/supply order *etc*. where Government or the Government Company had to make payments.

Notwithstanding the CVC guidelines, in seven out of 15 divisions test checked in audit, we noticed that 12 works costing ₹ 18.84 crore were awarded to single bidder without adopting re-tendering process, as shown in **Appendix 3.2.2.**

The Government stated that MPW Manual did have the provision to accept single tender, however, necessary orders were being issued to strictly follow CVC guidelines.

### 3.2.3.2 Splitting of works

The GoM (PWD) issued (May 2006) instructions to Divisions prohibiting the practice of splitting of work above ₹ five lakh and awarding it to Labour Co-operative Societies (LCS) and unemployed engineers (UE) without inviting tenders.

In nine Divisions[42], it was observed that during the period 2014-15 to 2016-17, EEs of respective Divisions had split 25 works costing ₹ 5.46 crore, into 177 works. These were accorded separate technical sanctions and job numbers. These works were awarded to contractors/Labour Co-operative Societies, even though the works were in continuous chainage of the road. It was also noticed that out of 25 works, five works (split into 29 works) were awarded to single contractors/Labour Co-operative Societies/Unemployed Engineers.

EE, PW (South) Division, Pune had split the work of improvement to Pashan-Sus-Nande-Bhauli-Kudje-Warje Road (SH-115) Km 6/400 to 9/800 Taluka Mulshi, District Pune, valued at ₹ 88.86 lakh into 18 works, without prior approval of SE, PW Circle, Pune.

The Government accepted that splitting was prohibited (May 2015) except with written permission from CE. It was further stated that Departmental

42 EE, PWD Divisions No.2 at Thane, Miraj, Shahada, Jalgaon, Solapur, Nashik, (South) Division, Pune, Osmanabad and Satara

action was being initiated against erring officers who had split the works with malafide intention.

## 3.2.4 Execution of works

In course of audit of 15 test-checked divisions, we noticed instances of 106 works in 10 divisions where the execution was sub-standard or did not conform to quality control specifications; renewal works were executed during defect liability period (DLP); there were instances of diversion of 13$^{th}$ Finance Commission (13$^{th}$ FC) grants on miscellaneous works and execution of inadmissible works from R&M grants as detailed in **Table 3.2.7.**

**Table 3.2.7: Type and number of deficiencies noticed during execution of work**

| Name of Division | Sub-standard works | Works not in conforming to quality control specifications | Execution of works covered under defect liability period | Diversion of 13$^{th}$ Finance Commission Grants on miscellaneous works | Inadmissible expenditure from Repairs and Maintenance grants | Inadequate provision of drainage system | Grand Total |
|---|---|---|---|---|---|---|---|
| EE, PW (EGS), Ahmednagar | 2 | | 1 | 3 | | | 6 |
| EE, PW Division, Nashik | | 1 | | | | | 1 |
| EE, PW Division, Jalgaon | | 1 | | | | | 1 |
| EE, PW Division, Parbhani | | 2 | | | | | 2 |
| EE, PW Division No. 2, Thane | | | 2 | | | | 2 |
| EE, PW Division, Shahada | | | 1 | | | | 1 |
| EE, PW Division, Aurangabad | | | 4 | | | | 4 |
| EE, PW Division, Gondia | | | | | 14 | 1 | 15 |
| EE, PW Division, Wardha | | | | | 25 | 1 | 26 |
| EE, PW Division, Bhandara | | | | | 48 | | 48 |
| **Total** | **2** | **4** | **8** | **3** | **87** | **2** | **106** |
| *Source : Information furnished by Divisions* | | | | | | | |

### 3.2.4.1 Substandard works

GoM had sanctioned (July 2014) two renewal works *viz* Strengthening and Bituminous Treatment (STBT) to the SH-58 from km 0/00 to 5/00, and STBT to SH-58 from km 5/00 to 10/600 under 13$^{th}$ FC Grant for the year 2014-15 (MH-3054-Roads and Bridges-(03)-State Highways). Both the works were awarded (December 2014 and February 2015) to a contractor. These works were completed (December 2015) with an expenditure of ₹ 4.87 crore.

i) It was observed that EE, PW (EGS), Ahmednagar requested (September 2014) Highway Research Division (No.1), Maharashtra Engineering Research Institute (MERI), Nashik to investigate and suggest remedial measures for improvement of road as heavy multi axle trailers, trucks and tankers were plying on this road. Accordingly, MERI inspected (October 2014) the road and recommended (December 2014) the specification with crust thickness of 975 mm as detailed in **Table 3.2.8.**

**Table 3.2.8: Details of specification with the crust thickness recommended by MERI**

| | |
|---|---|
| Granular sub-base | 460 mm |
| Base course | 250 mm |
| Dense Bituminous Macadam | 215 mm |
| Bituminous Concrete | 50 mm |
| **Total crust thickness** | **975 mm** |

Though MERI had recommended the crust thickness of 975 mm before commencement of the works, the Division executed the work with 450 mm crust thickness as detailed below in **Table 3.2.9**.

**Table 3.2.9: Details of specification with the crust thickness actually executed**

| Specifications | STBT to SH-58 km.0/00 to 5/00 | STBT to SH-58 km.5/00 to 10/600 |
|---|---|---|
| Base course | 250 mm | 250 mm |
| Bituminous Bound Macadam | 75 mm | 75 mm |
| Bituminous Macadam | 75 mm | 75 mm |
| Open Graded Premix Carpet | 25 mm | 25 mm |
| Seal Coat | 25 mm | 25 mm |
| **Total crust thickness** | **450 mm** | **450 mm** |

During Joint Inspection by audit (April 2017) with PWD officials, it was noticed that the works executed were severely damaged.

| | |
|---|---|
| **STBT to SH-58 km.0/00 to 5/00** | **STBT to SH km.5/00 to 10/600** |

It was also noticed that though the defect liability period (DLP) of 24 months from the date of completion of work was in force (31 December 2017), the Contractor did not rectify the defects to maintain the road in motorable condition.

Thus, the Division without considering 975 mm crust thickness, constructed the road with 450 mm crust thickness which resulted in wasteful expenditure of ₹ 4.87 crore in execution of sub-standard works since the entire chainage of BM damaged road was beyond repairs.

Government stated that the necessary orders had been issued to maintain full crust thickness and design the road to its full life. The said road is now upgraded as National Highway. It further stated that Departmental action was being taken against concerned officers.

ii) Section 504.5 of the Ministry of Road Transport and Highways (MORT&H) specifications stipulated that the Bituminous Macadam (BM) was to be covered either with the pavement course *i.e.* Semi Dense Bituminous Concrete (SDBC) or wearing course as the case may be within a maximum of 48 hours to protect the BM layer. If any delay was anticipated the course was to be covered by a seal coat as prescribed under Section 513 of MORT&H before opening to any traffic. The seal coat in such cases was to be considered to the work and was not to be paid for separately. Clause 506 also provided that the Modified Penetration Macadam (MPM) should be covered by the next wearing course within 48 hours of its execution. Also, Clause 509 stipulated that a seal coat liquid or premix type, should be applied within four to six hours after laying the premix carpet.

Test-check of three Divisions revealed that in respect of four works, the mandatory requirements as provided in the MORT&H Specifications were not observed during the execution of these works as detailed in **Table 3.2.10.**

**Table 3.2.10: Details of works not executed in conformity with MORT&H specification**

**(₹ in lakh)**

| Sr. No. | Name of Division | Name of work | Expenditure | Audit observations | Division's reply |
|---|---|---|---|---|---|
| 1 | EE, PW Division, Nashik | Improvement to Trimbakeshwar-Pahine- Deogaon-Ghoti Road (SH-21) km 173/00 to 179/00. Taluka Igatpuri, Dist Nashik | 62.65 | BBM work was executed on 9 June 2015, however, neither the wearing course nor the seal coat was provided on the BBM layer as required. | The work was taken up in view of *Sinhasta Kumbh Mela*. However, the said road was submerged. Meanwhile, Water Resources Department, constructed alternate road which was now in use for plying vehicles. |
| 2 | EE, PW Division, Jalgaon | S.R. to Bodwad-Jamathi Fattepur-Tondapur-Wakod Road (SH-191), km.9/400 to 11/100, 14/00 to 17/400 & 41/00 to 43/00, Taluka Jamner, Dist. Jalgaon | 17.66 | BBM work was executed on 26 June 2015 and next wearing course of Open Graded Premix Carpet (OGPC) was provided on 18 July 2015. *i.e.*, after 24 days of providing BBM. | Before the onset of monsoon, road condition was to be made safe therefore, patch work providing BBM was carried out and after considering the site condition, OGPC carpet was carried out. |
| 3 | EE, PW, Division, Parbhani | FDR Basmath-Hiwra-Chandawa-Satefal-Penur-Sonkhed (SH 255) Km 13/500 to 17/000 | 25.32 | The work Built Up Spray Grout layer (BUSG) was executed on 4 February 2017. However, next wearing course, as required under Section 506, was not provided till date (July 2017). | Due to non-availability of funds, contractor was unable to execute any further work. The BUSG work was in good condition. |
| 4 | | Special Repairs to Parbhani-Gangakhed Road SH-248, km.140/200 to 146/400, Taluka Gangakhed, Dist. Parbhani | 20.41 | The work of laying OGPC was executed on 2 June 2016, however the required seal coat was not done till date (July 2017) | Riding condition of the road was in good condition. The seal coat would be provided after monsoon. |
| *Source : Information furnished by Divisions* | | | | | |

The replies confirmed that the works were not executed as per specifications within the prescribed time limits so as to protect the BM layer of the roads. Specifications for quality control were thus compromised while executing these works.

Government stated that Departmental action was being taken against officers, where due diligence was not observed.

### 3.2.4.2 Avoidable excess expenditure on execution of repair works covered under Defect Liability Period

Clause 20 of tender conditions provided that the repairs arising out of any damages within DLP should be executed by the concerned Contractor.

In four[43] divisions, eight renewal works costing ₹ 4.54 crore were awarded to contractors, even though these roads were under DLP of earlier executed works, resulting in avoidable excess expenditure of ₹ 4.54 crore.

Government while accepting the facts stated that notices are being issued for recovery from the agencies through their present dues with the Government or for recovery as arrears of land revenue.

### 3.2.4.3 Diversion of 13th FC Grant on Miscellaneous works

Under 13th Finance Commission, PWD had sanctioned total 15 works for Ahmednagar District in which seven works amounting to ₹ 15.29 crore were sanctioned to PWD (EGS).

EE, PWD (EGS), Ahmednagar had executed three works, sanctioned under 13th FC (MH 30542348-Non-Plan). These works were completed (April 2015 and December 2015) by incurring expenditure of ₹ 6.13 crore. It was noticed that the Division however, booked an expenditure of ₹ 8.34 crore which was in excess by ₹ 2.21 crore as shown in **Table 3.2.11.**

**Table 3.2.11: Details showing the excess booking of expenditure**

**(₹ in crore)**

| Name of Work and Job Number | Sanctioned Amount | Actual Expen-diture | Expenditure booked as per Monthly Account of March 2016 | Excess booking in Monthly Accounts of March 2016 |
|---|---|---|---|---|
| STBT to Ahmednagar City Bypass Road (SH 58) Part Nimblak to Nagar-Kalyan Road Taluka Ahmednagar from chainage 0/00 to 3/300 (Job No. 9 for 14-15) | 3.00 | 2.81 | 3.30 | 0.49 |
| STBT to Ahmednagar City Bypass Road (SH 58) Part Nimblak to Nagar-Kalyan Road Taluka Ahmednagar from chainage 3/500 to 10/600 (Job No. 10 for 14-15) | 3.00 | 2.06 | 3.14 | 1.08 |
| STBT to Ahmednagar City Bypass Road (SH 58) Part Nimblak to Nagar-Kalyan Road Taluka Ahmednagar from chainage 0/00 to 3/300 (Job No. 11 for 14-15) | 2.00 | 1.26 | 1.90 | 0.64 |
| **Total** | **8.00** | **6.13** | **8.34** | **2.21** |
| *Source : Information furnished by Divisions* | | | | |

It was also observed that the Division had executed the works amounting to ₹ 90 lakh such as providing and fixing informatory boards, portal frames and cautionary board in the chainages other than the chainages sanctioned from the balance funds of ₹ 2.21 crore. No details regarding utilization of the balance amount of ₹ 1.31 crore were available.

43 EE, PW Division No. 2, Thane: two works (₹ 20.68 lakh); EE, PW (EGS), Ahmednagar: one work (₹ 4.20 crore); EE, PWD, Shahada: one work (₹ 2.65 lakh) and EE, PW Division, Aurangabad: four works (₹ 10.38 lakh)

EE, PWD (EGS), Ahmednagar stated (April 2017) that due to heavy increase in traffic, informatory board and sign board were provided on urgent basis. Since there were no separate funds available, the Division incurred the expenditure from the savings of the 13$^{th}$ FC Grants.

Government stated that officers had been cautioned against diverting 13$^{th}$ Finance Commission grants. They have also stated that henceforth funds would be disbursed work-wise to avoid such diversion.

#### 3.2.4.4 Inadmissible expenditure from Repairs and Maintenance grants

As mentioned in **Table 3.2.2,** GoM has classified repair works into six groups. In three test checked divisions, it was noticed that ₹ 68.56 lakh was spent on traffic census work, arbitration award, miscellaneous expenditure on survey, purchase of testing equipment for laboratory and supply of material for rest house from the R&M grants received under MH-3054-Repairs and Maintenance as shown in **Table 3.2.12.**

**Table 3.2.12: Inadmissible expenditure from R&M grants**

| Sr. No. | Name of Division | Audit observations | Division's reply |
|---|---|---|---|
| 1 | EE, PW Division, Wardha | 24 works amounting to ₹ 7.06 lakh of traffic census of various roads were executed from Group A-Current Repairs in the year 2014-15 instead of capital works (Original) under MH 5054. Thus, utilisation of R&M grants on traffic census was irregular. | EE stated (August 2017) that since there was no specific instructions from the Government for debiting the expenditure on traffic census work, the same was debited to MH-3054- R&M grants. |
| | | EE, PWD, Wardha had paid (October 2016) ₹ 27.54 lakh on hand receipt towards arbitration award of construction of approaches to Rail over Bridge, Gate No. 13/A at Hinganghat in Wardha District from MH-3054- R&M grants, instead of MH 5054 which was the original accepted head under which the work was executed. | EE stated (August 2017) that payment was made after approval of PWD, GoM. |
| 2 | EE, PW Division, Gondia | An amount of ₹ 11.32 lakh was spent on works such as miscellaneous survey, purchase of testing equipment for laboratory and supply of material for rest house *etc.* Since, the expenditure did not pertain to the Group of Repairs as mentioned in GR (June 2002), the expenditure from R&M was irregular. | EE, PW Division, Gondia while accepting the fact stated (August 2017) that since the payments were very small, the same was booked under MH-3054-R&M, instead of either MH-2059-Public Works or MH-2216-Housing. |
| 3 | EE, PW Division, Bhandara | 48 works amounting to ₹ 8.59 lakh of traffic census of road were paid from MH-3054-R&M, which was irregular. | EE stated (July 2017) that traffic census work was related to road expenditure therefore paid under MH-3054-R&M. The reply was not tenable since the item pertained to Capital head of works. |
| *Source : Information furnished by Divisions* | | | |

The Government did not furnish any reply on this issue.

### 3.2.4.5 Inadequate provision of drainage system

Water logging is one of the major reasons for damage of roads. Hence, side drains are required to be constructed to drain off the water from the roads, especially where there are chances of water logging. IRC specification 309.2 stipulated that drains were to be completed in proper sequence with road works ensuring adequate drainage for the area and for minimizing erosion. During joint inspection by audit and the Divisional Officers (August 2017), it was noticed in two cases that:

The construction of cement concrete drain with footpath on Tumsar-Tirora-Gondia Road (SH 249) Km. 189/200 to 190/200 (Job No. 12-11-RA-1-23-002) was approved by EE, PWD, Gondia for ₹ three crore under Group D-"Other and miscellaneous work". The work was completed within a period of nine months (December 2014) and contractor was paid ₹ 1.29 crore (March 2017). It was noticed that even after more than three years, the work of construction of drain with footpath was not completed though included in the original estimates.

In reply, EE, PWD, Gondia stated (August 2017) that the work was delayed due to non-shifting of electric poles and encroachment in the area. The action on extension of time limit was in progress. The reply was however, not acceptable as EE was responsible for removal of any encroachment as stated in paragraph 35 of MPW Manual, and execution of works as planned for.

Similarly, EE, PWD, Wardha, executed the work of Special repairs to Seldoh-Sindhi-Kandhali Road (SH 330) Km 6/00 to 7/00 and 9/00 to 10/00, sanctioned under group E programme. The work was finalised at ₹ 53.17 lakh (October 2016) without execution of drainage work amounting to ₹ 10.32 lakh.

EE, PWD, Wardha stated (August 2017) that the local people demanded the execution of drainage work in entire length of both the sides of road. Since there was no provision for such construction of drainage, the drainage work was not executed.

Reply was not tenable since drainage on one side of road was approved in original estimates and hence should have been executed. The Government did not furnish the reply on these observations.

## 3.2.5 Internal control and monitoring mechanism

An effective internal control system minimizes the risk of errors and irregularities and helps to protect resources against losses arising due to waste and mismanagement. Audit findings on internal controls and monitoring mechanism in PWD are discussed below;

### 3.2.5.1 Non-submission of quality control test reports

As per the tender conditions, the contractor was to make all arrangements and provide for all facilities for collection of requisite number of sample and bear all charges for the same. Of the total tests to be conducted, 70 *per cent* of the quality of material test was to be carried out in site laboratory set up by the contractor duly approved and certified by the Engineer-in-charge while

30 *per cent* of material test was to be done in Vigilance and Quality Control Laboratory of the PWD, which were in 13[44] places.

In six[45] divisions, it was seen in audit that 79 works amounting to ₹ 9.21 crore were executed without obtaining the required test results and payments had been released to the contractors. The possibility of sub-standard works therefore cannot be ruled out.

Divisions stated that penalty was recovered from contractors‟ bills for non-conducting of requisite tests. The reply was not tenable as merely recovery of penalty cannot justify the failure of the contractors as well as the divisional officials to ensure the quality of works executed.

The Government accepted that levy of penalty was not the correct way to address the issue. It was stated that concerned officers were being warned for the lapses on their part. All CEs had been instructed to take review of such cases in their region and take necessary steps to ensure that quality control tests were conducted as per norms.

#### 3.2.5.2 Execution of works without obtaining bitumen invoices

The GoM directed (October 2007) that bitumen used by the contractors in road works should be procured only from Government Refineries. The bulk bitumen container should be unloaded at the hot mix plant in the presence of the Engineer-in charge or his representative who would certify the bitumen consumed for the work for which it was procured. As per the standard tender conditions, a certificate in this regard, duly certified by the Engineer-in charge was also required to be submitted by the contractor along with original invoice of consumption of bitumen.

In five[46] Divisions test-checked, in respect of 51 works costing ₹ 8.32 crore, it was noticed that bitumen invoices were not obtained from the contractor, but payments had been made. Non-submission of original bitumen invoices by the contractors not only violated the tender conditions but indicated absence of monitoring by the Divisions on quality of the works executed.

Government stated that the concerned officers were warned for lapses on their part and circulars issued (March and April 2017) to ensure that the best quality of bitumen was used for the works.

#### 3.2.5.3 Non-observance of tender condition of SCADA enabled system of hot mix plant

As per GoM guidelines (May 2014) for Bituminous treatment for road works, where the cost of bituminous works with seal coat was more than ₹ 75 lakh, the Supervising Control and Data Acquisition (SCADA) enabled Hot Mix Plant and SCADA enabled Roller were required to provide to monitor

44 Three Regional V&QCL at Navi Mumbai, Pune and Nagpur; Nine Districts V&CQL at Solapur, Kolhapur, Chandrapur, Nashik, Amravati, Akola, Mangaon, Ratnagiri and Ahmednagar. Besides, one field V&QCL at Dhule

45 Nashik: 14 works: ₹ 1.04 crore, Jalgaon: 21 works: ₹ 1.74 crore, Shahada: eight works: ₹ 0.49 crore , Solapur: six works: ₹ 0.16 crore, Osmanabad: 14 works: ₹ 3.68 crores and Thane: 16 works ₹ 2.10 crore

46 Nashik nine works: ₹ 0.69 crore, Shahada: nine works: ₹ 0.57 crore, Osmanabad: four works: ₹ 3.05 crore, Thane: six works ₹ 1.63 crore and Jalgaon: 23 works: ₹ 2.38 crore

compaction analyser through data and graphics delivered through Very Small Aperture Terminal (VSAT) on PWD/Server/User Terminals. GoM revised (August 2014) the cost norms and made this mandatory for works with cost above ₹ 50 lakh and upto ₹ four crore.

In respect of one work of ₹ 1.19 crore of EE, PW Division No. 2, Thane, though the SCADA enabled Hot Mix Plant and SCADA enabled Roller to monitor temperature was included in the Tender Documents, the Contractor had not installed the same. Further, in SE, PW Circle, Osmanabad, the condition of SCADA enable Hot Mix Plant and SCADA enabled Roller was not incorporated in the Tender documents, though the value of the work was ₹ 1.74 crore.

As a result, the real time monitoring of parameters of actual execution of works like temperature of bitumen, total quantity laid and time at which the work was actually executed could not be monitored at PWD user terminal.

EE, PW Division, Thane stated that ₹ 0.60 lakh had been withheld from the bill paid for want of SCADA generated reports. The SE, PW Circle, Osmanabad accepted that the condition of installation of SCADA enable Hot Mix Plant and SCADA enabled Roller was not included in the tender documents by oversight; however, the minimum temperature of bitumen laying was maintained.

The fact remained that the bills were processed for payments, without obtaining the SCADA generated reports against the tender conditions. Further, there was no documentary evidence to check if the minimum temperature of bitumen laid was maintained.

Government accepted that installation of SCADA enabled Hot Mix Plant and Rollers was essential as observed by the Audit. It was also stated that action was being taken against the erring officers for lapse on their part, and all CEs had been instructed to ensure implementation of the tender conditions of SCADA enabling system, to bring in greater transparency.

#### 3.2.5.4 Incomplete Bar Chart

Bar chart is maintained every year to show the special repairs and renewals carried out kilometer-wise for last ten years road-wise. This helps in identifying kilometers requiring renewal/repairs *etc.* and framing the repairs programme of the current year.

In eight[47] divisions, it was noticed that the bar charts were not up to date. It was therefore not possible to ascertain the periodicity of repair works carried out and whether the same chainage of the road was considered for repeated repairs.

The Divisions accepted the omissions and assured that the Bar charts would be updated. Government also stated (October 2017) that all the CE"s had been instructed for updating the Bar-chart by 15th November 2017.

47 Ahmednagar, Jalgaon, Satara, Miraj, Solapur, Parbhani. Aurangabad and Wardha

## 3.2.6 Conclusion

The audit of the Repairs and Maintenance works of State Highway revealed that as against 15,674 works planned, 14,641 works were completed (93 *per cent*) and 1,033 works remained incomplete (seven *per cent*). The repairs and maintenance norms were outdated and needed revisions. The Annual Repair Programmes taken up by the Department were not commensurate with the funds released by the Government thereby creating huge financial liability towards unpaid bills. The overall pendency of bills as on March 2017 was ₹ 368.35 crore whereas bills amounting to ₹ 110.73 crore were pending for more than two years in contravention of Central Vigilance Commission guidelines that payment of contractors" bills should not be delayed. In respect of eight Divisions, the liability towards unpaid bills was more than the total annual average expenditure of those Divisions.

There were some instances of capital works executed from Repairs and Maintenance grants. There were instances of execution of works approved in one group and executed from another group, works were split into many parts and awarded to single bidders, labour co-operative societies and unemployed Engineers contrary to the Government instructions. The test checked works executed were not in conformity with the MORT&H specification and technical norms. There were instances of execution of works in defect liability period from other works resulting in avoidable excess expenditure and drainage works were not executed as per original estimates. There were instances of inadmissible expenditure.

The original invoices of purchase of bitumen by contractors from the Government refineries were not found on record across divisions. The internal control mechanism was weak as the bills were paid without ensuring the mandatory quality control test results.

## 3.2.7 Recommendations

- **The Annual Repair Programme may be prepared keeping in mind the priority of the works to be executed and commensurate with available budget so that the liability towards unpaid bills is minimized.**
- **Government may ensure that there is no diversion of funds.**
- **The monitoring of works may be strengthened at the field level. It may be ensured that works are executed as per specifications/original challans of bitumen consumed are kept on record, to ensure quality control measures on the executed works.**

# AGRICULTURE, ANIMAL HUSBANDRY, DAIRY DEVELOPMENT AND FISHERIES DEPARTMENT

## 3.3 National Horticulture Mission

### Introduction

The National Horticulture Mission (NHM) Programme was launched in the year 2005-06 by Government of India (GoI), Ministry of Agriculture, Department of Agriculture and Co-operation as a Centrally Sponsored Scheme to promote holistic growth in horticulture[48] through research, technology promotion, extension, processing and marketing. Government of Maharashtra (GoM) constituted (August 2005) State Horticulture Mission (SHM) to take up the NHM Programme in the State. The main objectives of the NHM are to provide holistic growth of horticulture sector through area based regionally differentiated strategies; to enhance horticulture production, improve nutritional security and income support to farm households; to establish convergence and synergy among other ongoing and planned programme; to promote develop and disseminate technologies; and to create opportunities for employment generation for skilled and unskilled persons.

To achieve the NHM objectives, NHM adopted the strategy which included improving post harvest management, processing for value addition and marketing infrastructure. A coordinated approach was planned to promote partnership, convergence and synergy among research and development, processing and marketing agencies in public as well as private sectors at the National, Regional, State and sub-State levels.

**Components of the NHM**

The main components of NHM implemented in the State, were Protected cultivation through Green House and shade nets, Integrated Post-Harvest Management (IPHM), Creation of water sources, Horticulture mechanisation, Area expansion, Production and distribution of planting material, Rejuvenation/replacement of senile plantation, Promotion of Integrated Nutrient Management (INM)/Integrated Pest Management (IPM) *etc*.

The other components of NHM included Organic farming, Pollination support through bee keeping, Human Resources Development, Establishment of marketing infrastructure and center of excellence *etc*.

**Coverage in the State**

The NHM was initially implemented in the year 2005-06 in 23 districts of Maharashtra. Later it was extended to six districts[49] in the year 2006-07, four districts[50] in the year 2007-08. In all 34 districts[51] of Maharashtra have been covered under the NHM.

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48 Horticulture includes flowers, fruits, vegetables and spices

49 Buldhana, Dhule, Nandurbar, Chandrapur, Gondia and Gadchiroli

50 Jalgaon, Hingoli, Osmanabad and Bhandara

51 As a new district Palghar formed (August 2014) thus implemented in 34 Districts

**Mission structure and organisational set-up**

The NHM programme is being implemented in the State through Maharashtra State Horticulture and Medicinal Plants Board (Board), Pune, a society established by GoM and registered under the Societies Registration Act, 1860. The Principal Secretary to Government of Maharashtra (GoM), Agriculture, Animal Husbandry, Dairy Development and Fisheries Department (Department) is the Chairman of the Board. The Board is responsible for actual execution of the NHM as per guidelines through district level offices *i.e.* District Superintending Agriculture Officer (DSAO) and Panchayati Raj Institutions (PRI).

## Audit Scope and Methodology

The compliance audit was conducted (February 2017 to May 2017) covering the period from 2014-15 to 2016-17 with a view to assess the adequacy and effectiveness of the scheme implementation in consonance with the guidelines of NHM through test-check of records of all the components of NHM, in the office of the State Horticulture Mission at State level in *Mantralaya* and Maharashtra State Horticulture and Medicinal Plants Board (Board), Pune. Eight [52] out of 34 DSAOs, were selected cluster-wise **(Appendix 3.3.1)** based on maximum expenditure in the district.

The reply of the Government received (September 2017) has been considered while finalizing the report.

## Audit findings

## 3.3.1 Planning

The SHM has a two-layered structure, at State Level-State Level Executive Committee (SLEC) and at District level-District Mission Committee (DMC). The SLEC works under the Chairmanship of the Principal Secretary to GoM, Agriculture, Animal Husbandry, Dairy Development and Fisheries Department, having representatives from other Departments/organisations of State Government.

The main functions of the SLEC are to prepare Strategic/Perspective and Annual State Level Action Plans, organise base line surveys and feasibility studies, receive funds from National Mission Authority, release funds to implementing agencies and monitor/oversee implementation of the Mission's programme.

At district level the DMC shall consist of the Collector of the district as Chairman, DSAO as Member Secretary and various district level officials[53] as members. The DMC will be responsible for achieving the objectives of the NHM for project formulation, implementation and monitoring.

52 Ratnagiri, Sindhudurg, Pune, Sangli, Ahmednagar, Jalna, Osmanabad and Nagpur

53 Chief Executive Officer, Zilla Parishad; Project Director, District Rural Development Agency; District Marketing Officer; Project Director (ATMA)/DSAO *etc.*

### 3.3.1.1 Non-conducting of Baseline Survey and feasibility study

As per para 4.8 of Operational guidelines of NHM, State Level Agency was required to prepare a Perspective plan and State Level Annual Action plan (AAP) in consonance with NHMs goal and objectives. It was also to organise baseline survey and feasibility study in different districts for determining the status of the horticulture production, potential and demand to form basis of preparation of the AAP.

Further, as per para 5.2, AAP was needed to be supported with data/write up on outcome of past interventions covering the details of area expansion variety/species introduced, increase in productivity achieved and number of clusters created.

Audit noticed that AAPs though submitted by the Board contained physical and financial targets of various components of NHM, it did not contain essential details of district-wise study of soil quality, climatic conditions, availability of water, crop wise position of area, production and productivity, demarcation of areas for horticulture, future expansion, prospective beneficiaries, suggestions for viability and feasibility of various post-harvest management and bio control labs. Besides, the Board did not issue instructions to the field units prescribing the methodology for carrying out baseline survey/studies which was the basic element for NHM. Thus, there was no documentation of baseline survey conducted by field units available with the Board**.**

### 3.3.1.2 Mission achievements under NHM

The summarised status of physical and financial targets and achievements of main components of the NHM implemented in the State during the period from 2014-15 to 2016-17 is shown in **Table 3.3.1**.

**Table 3.3.1: Details of physical and financial targets vis-à-vis achievements for the period (from 2014-15 to 2016-17)**

| Component | Unit Number / Hectares | Physical | | Percentage | | Financial (₹ in crore) | | Percentage | |
|---|---|---|---|---|---|---|---|---|---|
| | | Target | Achievement | Achievement | Short-fall | Target | Achievement | Achievement | Short-fall |
| Protected cultivation | Hectares | 4093.96 | 4301.48 | 105.06 | -- | 146.15 | 154.46 | 105.68 | -- |
| Post-harvest management | Number | 3309 | 3281 | 99.15 | 0.84 | 123.97 | 81.11 | 65.42 | 34.57 |
| Community tank | Number | 4094 | 3392 | 82.85 | 17.14 | 77.57 | 54.91 | 70.78 | 29.21 |
| Horticulture Mechanisa-tion | Number | 8122 | 5296 | 65.20 | 34.79 | 26.74 | 28.96 | 108.29 | -- |
| Area Expansion | Hectares | 17099.80 | 13616.30 | 79.62 | 20.37 | 40.35 | 25.38 | 62.90 | 37.09 |
| Production of planting Material | Number | 163 | 74 | 45.39 | 54.60 | 13.35 | 6.63 | 49.66 | 50.33 |
| Rejuvenation of senile plantation | Hectares | 1559 | 3109.17 | 199.43 | -- | 2.69 | 4.06 | 150.95 | -- |
| **Total** | | | | | | **430.82** | **355.51** | | |

Source: *Information furnished by State Horticulture Mission*
*Note: Figures are cumulative figures of three years from 2014-15 to 2016-17*

There was more than 100 *per cent* achievement in components like protected cultivation, rejuvenation of senile plantation and more than 75 *per cent* in post-harvest management, community tank and area expansion. It was meagre in respect of organic farming, bee keeping, establishment of marketing and nil in respect of good agriculture practices (GAP), innovative interventions and technology dissemination.

The Government stated that various components of the NHM were implemented as per demand from the farmers, scope of the newer interventions and crop specific cluster to be developed. Component like Community Tank, Protected cultivation, Area expansion played key role in horticulture development and economic scenario of the farmers. It was impossible without rational, planned and successful implementations of NHM in the State.

The reply of the Government confirmed that AAPs were largely based on the demands of the farmers and the horticulture potential of the districts. As a result, the programme was not implemented with a holistic approach as envisaged in the NHM guidelines. However, for overall development of NHM, base line surveys and feasibility studies were required to be done.

## 3.3.2 Budget allocation

The GoI share in NHM, upto 2014-15 was 85 *per cent* which was revised to 60 *per cent* in 2015-16 and balance 40 *per cent* share was to be shared by the State Government. Funds released by the GoM to the Board were kept in Nationalised banks. The unspent balances and interest earned during the year were treated as grants for the subsequent year. Apart from NHM other important Government Schemes of the Horticulture Development were Employment Guarantee Scheme linked horticulture Scheme, Rashtriya Krishi Vikash Yojna *etc.*

Funds released by GoI and GoM and expenditure incurred by SHM during the period from 2014-15 to 2016-17 is shown in **Table 3.3.2**.

**Table 3.3.2: Statement showing the fund released, interest earned and expenditure incurred**

**(₹ in crore)**

| Year | Opening Balance | Receipt | | | | Total availability | Expenditure | Unspent balance |
|---|---|---|---|---|---|---|---|---|
| | | GoI | State | Total | Interest | | | |
| 2014-15 | 4.58 | 140.00 | 24.71 | 164.71 | 2.80 | 172.09 | 165.93 | 6.16 |
| 2015-16 | 6.16 | 96.25 | 58.39 | 154.64 | 0.93 | 161.73 | 145.52 | 16.21 |
| 2016-17 | 16.21 | 46.80 | 31.20 | 78.00 | 1.53 | 95.74 | 89.51 | 6.23 |
| **Total** | | **283.05** | **114.30** | **397.35** | **5.26** | **429.55** | **400.96** | **--** |

*Source: information furnished by SHM*
*Note: Figures for 2016-17 are provisional*

It was observed that during the period from 2014-15 to 2016-17, GoM delayed release of funds by six to eight months. In 2015-16, GoI released ₹ 8.66 crore (June 2015 and March 2016) under Tribal Sub Plan (TSP) category; however, GoM did not release its matching contribution. During 2016-17, ₹ 3.64 crore was released by GoI (18.05.2016) under this category. The Board could not utilise the entire funds due to non-receipt of applications from TSP category and surrendered (March 2017) ₹ 3.64 crore to the GoM.

The Government stated that since there was balance under TSP grant for the year 2015-16, grants for 2016-17 were surrendered to GoI.

It was observed that during 2014-15, the GoM had spent ₹ 61.17 crore under the TSP Scheme implemented through State Budget (Performance Budget of the Agriculture Department for the year 2016-17) where one of the component was community ponds which was also one of the components under the NHM. Thus the GoM, instead of surrendering the funds, should have drawn up a base-line plan/survey so as to utilise the Central assistance.

### 3.3.3 Scheme Implementation

The selection of beneficiaries under various components was being done at district level by DMC. If number of beneficiaries applied for were more than available funds, selection was being done through lottery system. Sanctioned subsidy was being released through Hortnet[54]. Project based components were being implemented after sanction by SLEC or Central Level Executive Committee depending on the cost of the project.

#### 3.3.3.1 Protected cultivation

Para 7.25 of NHM Guidelines envisages promotion of protective cultivation activities like construction of shade net house, green house *etc.,* to increase the productivity. The assistances was to be provided @ 50 *per cent* of the total cost for a maximum area of 4,000 square meter per beneficiary, having own land or land taken on lease duly registered with Deputy Sub-Registrar and also having water source with drip irrigation facility.

During the period from 2014-15 to 2016-17, SHM subsidised 4,301 structures in the State at a cost of ₹ 154.46 crore. In eight selected districts, subsidy of ₹ 76.63 crore was granted to 1,350 structures.

As per Clause 7 of the Agreement with the beneficiary, quarterly progress report of the projects was required to be submitted to the DSAO for a minimum period of five years. In selected districts, Audit noticed that DSAOs did not collect the production particulars from the beneficiaries to establish proper utilisation of the subsidy with increase in production and productivity after implementation. Thus, there was lack of monitoring of the Scheme at the level of DSAOs.

#### 3.3.3.2 Integrated Post Harvest Management (IPHM)

NHM had been implementing „Post Harvest Management" component, which envisaged creation of a network of infrastructural facilities for storage, transportation, packaging and marketing of horticulture produce, with a view to reduce post-harvest losses and enhance marketability of horticulture produce.

As per the AAPs for the period from 2014-15 to 2016-17, target under the component was 3,309 units, against this the achievement was 3,281 units.

54 e-Governance system facilitating filing of online application by the beneficiary to online payment to the beneficiaries Bank account

During the period from 2014-15 to 2016-17, SHM extended partial financial assistance of ₹ 81.10 crore to 1,208 Packaging houses, one pre-cooling unit, 11 cold storage units, one refrigerated van, 370 primary processing units, 37 ripening chambers, 1,596 onion storage structures and 38 integrated cold chain supply system in the State.

In eight selected districts, subsidy of ₹ 29.27 crore was disbursed to 1,980 beneficiaries for various items and observed that;

**Non-monitoring of projects assisted under IPHM**

As stated earlier, quarterly progress report of the projects was required to be submitted to the DSAO for a minimum period of five years in accordance with Clause 7 of the Agreement with the beneficiary. However, such reports of the assisted projects were neither submitted by the beneficiaries nor insisted by the concerned DSAOs. Thus, they did not evaluate the outcome/impact of the subsidy disbursed.

The Government stated that the process of appointment of agency for evaluation of outcome/impact of the subsidy given under various components of NHM was in progress.

**Irregular assistance of subsidy for Integrated Cold Chain system**

As per Board"s guidelines (2014-15), the maximum subsidy admissible was 35 *per cent* of the maximum project cost of ₹ six crore *i.e.* ₹ 2.10 crore for general areas, and 50 *per cent i.e.* ₹ three crore for hilly and scheduled areas was to be released in two instalments. According to Guidelines, a firm could avail subsidy for multiple projects subject to maximum capacity of 5,000 MT. Further, pre-establishment inspection report and a guarantee letter were to be furnished by the beneficiaries in the prescribed format and the cold storage would be run at least up to seven years. Besides, the quarterly report was required to be submitted till next five years and a declaration that the project proponents had not availed any subsidy from Central/State Government or any other institutions.

The SHM released the subsidy of ₹ 24.31 crore to 38 integrated cold chain systems during the period from 2014-15 to 2016-17. The subsidy was admissible for storage of horticulture products so that their life could be enhanced and wastage be minimized.

In Jalna district, the Board had sanctioned (March 2016) subsidy of ₹ 1.28 crore (35 *per cent* of the eligible cost of ₹ 3.67 crore) to a Cold Storage[55] and first instalment of ₹ 0.64 crore was also released (March 2017). The project had not been sanctioned by the DMC and pre-inspection report/LOI was not available, as per requirements.

It was observed that the beneficiary which was a partnership firm, a family concern had already availed subsidy under NHM during the year 2011-12 for another cold storage[56]. In the joint physical verification (May 2017), it was seen that both the cold storage units were adjacent to each other and in

55 M/s Navkar Cold Storage, Jalna
56 M/s Arihant Cold Storage, Jalna

the same premises having separate boards of NHM. Thus, the subsidy given was irregular.

The Government stated that according to procedure a person or institute seeking benefits under Post Harvest Management and Marketing Infrastructure need not obtain LoI. If at all, concerned required LoI for sanction of loan from the bank, DSAO was entrusted to issue the same and in this case the unit was not in need of LoI, hence the same was not issued. First instalment of subsidy was released subject to condition of obtaining DMC recommendation prior to release of second instalment of subsidy. According to guidelines, a particular firm could avail subsidy for multiple numbers of projects, subject to limit of 5,000 MT capacity for cold storage project and fulfilment of technical norms.

Reply was not convincing since operational guidelines provided that only projects sanctioned by the DMC were required to be submitted to the Board for further approval. This had not been observed in the instant case. Considering the capacity of both the Storage, the total capacity was 6,589 MT, which was beyond maximum capacity of 5,000 MT. Thus, subsidy given was not in accordance with operational guidelines of the Scheme.

### 3.3.4 Creation of water sources

NHM Guidelines provided for rendering assistance[57] for creating water sources through construction of community tanks, farm ponds/reservoirs with plastic/RCC lining to ensure life saving irrigation to horticulture crops.

During the period from 2014-15 to 2016-17, the SHM had created 3,392 community tanks (83 *per cent*) in the State at a cost of ₹ 54.91 crore against the target of 4,094 community tanks, leading to shortfall of 702 community tank (17 *per cent*).

During the same period in selected eight districts the SHM had spent ₹ 18.92 crore on creation of 974 community tanks.

**Unfruitful expenditure on incomplete community tanks**

As per Operational Guidelines of NHM, the work of community tank should be started within one month from the date of sanction and completed within three months. Assistance as per cost norms was to be released to the beneficiaries, component wise, in three instalments. 80 *per cent* of amount earmarked for earthwork component which would be released on completion of earth-work component; 100 *per cent* of amount earmarked for plastic lining, fencing works would be released after execution of these works by beneficiary farmers, and remaining 20 *per cent* of earth work component on storage of water and installation of information board at the site. In respect of plastic lining, fencing work component, beneficiaries were required to incur expenditure first and the same would be reimbursed on production of

57 100 *per cent* of cost to irrigate 10 ha of command area, with pond size of 100m x 100m x 03m or any other smaller size on pro-rata basis depending upon the command area either use of minimum 500 micron plastic films or RCC lining, owned and managed by a community/farmer group. 50 *per cent* of the cost is admissible for individual beneficiary on pro-rata basis depending upon the command area

purchase bill and site verification by committee[58]. In case beneficiaries failed to complete community tank, financial assistance given for earthwork was to be recovered from them.

In six districts[59], 2,842 community tanks were sanctioned during the period from 2011-12 to 2016-17, of which 2,008 community tanks (71 *per cent*) had been completed and 834 community tanks (29 *per cent)* costing ₹ 10 crore were incomplete (December 2017).

The subsidy had been granted for earth work/digging component as no further progress was made. The main reason for non-completion of the lining work was stated to be financial crunch and disinterest of the beneficiaries. Since the work were to be completed within three months, due to non-completion of the component of lining works neither water could be stored nor could it be utilised, and the expenditure of ₹ 10 crore did not yield any results.

The Government stated (September 2017) that basically, earthwork for farm ponds was started in January and spreading of plastic lining was done in mid-April and May. Therefore, though earthwork of farm pond was done, it took time to complete plastic lining work.

The reply did not address the incomplete works (834[60] works) that were pending as on December 2017 and according to the guidelines, these works should be completed within three months and in case beneficiaries failed to complete community tank, financial assistance given for earthwork was to be recovered from them.

### 3.3.5 Horticulture Mechanisation

Horticulture mechanisation is aimed to improve farm efficiency and reduce drudgery of farm work force. Assistance[61] in this regard is being provided to beneficiaries for procurement of tractors, power tillers and power operated machine and tools.

Under this component assistance amounting to ₹ 28.96 crore was provided to 5,296 beneficiaries in the State during the period 2014-15 to 2016-17 mainly for procurement of tractors and power tillers. During the same period in selected districts assistance of ₹ 14.12 crore was provided to 3,013 beneficiaries.

As per guidelines of the scheme the beneficiaries were required to execute agreement with the DSAO for using, maintaining and keeping the machines serviceable. Further, as per clause 7 of the agreement, the beneficiaries are

58 Comprised of Taluka Agriculture Officer and Circle Officer under the chairmanship of Sub Divisional Agriculture Officer

59 Osmanabad, Nagpur, Jalna, Ratnagiri, Pune and Sangli

60 2011-12, 6 works; 2012-13, 602 works; 2013-14, 51 works;2014-15,one work; 2015-16,172 works and 2016-17, 2 works

61 For Tractor: 25 *per cent* of cost subject to a maximum of ₹ 0.75 lakh per unit for general category and in case of SC, ST, Women beneficiaries, small & marginal farmers and beneficiaries in NE states, 35 *per cent* of cost subject to maximum of ₹ one lakh

required to submit quarterly progress report of working of the project to the sanctioning authority (DSAO) till next five years.

Audit observed that in selected districts none of the beneficiaries had submitted the quarterly progress report to the concerned DSAOs.

The Government stated that instructions would be given to all DSAOs for collection and maintenance of quarterly reports.

### 3.3.6 Area Expansion (Establishment of new gardens) under Mission for Integrated Development of Horticulture

As per NHM guidelines financial assistance was admissible to beneficiaries for establishment of new gardens of fruits, flowers, and spices *etc.*

Under this component during the year from 2014-15 to 2016-17, a total subsidy of ₹ 25.38 crore was released and an extent of 13,616 Ha of land was brought under horticulture in the State. In selected eight districts subsidy of ₹ 6.11 crore was provided for coverage of 3,385 Ha of land during 2014-15 and 2016-17.

NHM guidelines stipulated maintenance of minimum survival rate of 75 *per cent* and 90 *per cent* at the end of first and second year in case of grapes and 90 *per cent* at the end of first year in case of banana and papaya for release of subsequent instalments of subsidy. The assistance was to be released after spot verification reports before and after/during implementation of the scheme.

It was observed that;

- As per Scheme guidelines, total number of plants planted in first year and number of plants survived in second and third year should be mentioned in the measurement books. In Miraj and Walwa talukas of Sangli district, it was noticed that subsidy of ₹ 46.68 lakh[62] was released to beneficiaries without ascertaining the details such as number of plants purchased and planted in first year, number of plants survived in second and third year. Thus, in absence of year wise spot verification reports and non-mentioning of number of plants survived and percentage of survival *etc.* in the measurement book, the genuineness of assistance paid to the beneficiaries could not be verified in Audit.

  The Government stated that instruction would be given to all DSAOs to mention survival plants and percentage in first, second and third year in measurement books.

- As per the guidelines of the scheme, the assistance was payable to Self Help Group (SHG) of farmers. In Osmanabad and Sangli (Taluka Miraj) districts, it was, however, observed that Taluka Agriculture Officers (TAOs) failed to form SHG of farmers and total assistance was paid to the individual farmers, in violation of scheme guidelines.

62 Amount shown is of Miraj Taluka only

➢ In Osmanabad district, assistance of ₹ 49.11 lakh was provided during first and second year for plantation of grapes as detailed in **Table 3.3.3.**

**Table 3.3.3: Statement showing the assistance provided during plantation year**

**(₹ in lakh)**

| Year of plantation | First year | | Second year | |
|---|---|---|---|---|
| | Area in Ha | Subsidy Amount | Area in Ha | Subsidy Amount |
| 2012-13 | 103 | 30.81 | 85.10 | 8.51 |
| 2014-15 | 30 | 8.06 | NA | 1.73 |
| **Total** | | **38.87** | | **10.24** |
| *Source: Information furnished by DSAO, Osmanabad* | | | | |

It was noticed that third instalment had not been released to beneficiaries.

➢ Assistance of ₹ 13.71 lakh was provided for plantation of banana and papaya fruits during first year as detailed in **Table 3.3.4.**

**Table 3.3.4: Details of assistance given for plantation**

**(₹ in lakh)**

| District | Fruit | Plantation Year (first) | Area in Ha | Subsidy |
|---|---|---|---|---|
| Osmanabad | Banana | 2013-14 | 30.12 | 9.39 |
| Ratnagiri | Banana | 2014-15 | NA | 2.08 |
| Nagpur | Papaya | 2015-16 | NA | 2.24 |
| **Total** | | | | **13.71** |
| *Source: Information furnished by respective DSAOs* | | | | |

In subsequent years, no assistance was granted in these districts.

The Government stated that plants were destroyed due to drought and hence subsequent assistance was not released.

Thus, due to non-survival of plants, objective of area expansion could not be achieved and assistance of ₹ 62.82 lakh provided during first and second years have become unfruitful.

## 3.3.7 Production and distribution of planting material

As per paragraph 7.5 of NHM guidelines for production and distribution of good quality seeds and planting material, assistance was available to eligible beneficiaries for establishment and strengthening of nurseries and Tissue Culture (TC) units.

Under this component ₹ 6.63 crore was spent during the period on 74 beneficiaries (55 *per cent*) against the targeted 163 beneficiaries.

### Tissue Culture units

Under NHM, financial assistance for setting up new TC unit for private sector is 40 *per cent* of the project cost subject to maximum of ₹ one crore as credit linked back ended subsidy[63]. Each TC unit shall produce minimum of 25 lakh plants per annum of the mandated crop. In the event of production of lesser number of plants, project cost will be reduced on pro rata basis (subject to its viability). Each TC unit would get itself accredited as per

63 Credit linked back-ended subsidy means the beneficiary should avail a loan from a nationalised bank. After completion of the project joint inspection by Officers of SHM and Bank, the subsidy portion will be released to the Bank against loan

standard norms of Department of Bio-Technology within 18 months from the date of receiving funds, failing which the assistance provided under the Scheme will have to be returned. Further, quarterly report of the project was to be submitted to DSAO for a minimum period of five years.

In six districts[64], DSAOs had sanctioned subsidy of ₹ 3.46 crore to nine TC units, during 2014-15 to 2016-17. It was noticed that the Board had sanctioned (February 2015 and August 2015) subsidy of ₹ 38.55 lakh to two units at Pune and Akola for establishment of TC Units and released (March 2015 and October 2015) first instalment of ₹ 19.27 lakh. Though these two units had not furnished accreditation certificates within prescribed time limit of 18 months, Board had not taken any action for recovery of the subsidy sanctioned, as envisaged in the guidelines.

It was also noticed that of the seven units functional, none of them had furnished quarterly reports to DSAOs. In absence of these, audit could not ascertain whether these units produced the mandated crop as per sanctioned capacity of production.

The Government stated that instruction would be given to all DSAOs for collection and maintaining quarterly progress report of production of planting materials regularly. It was further stated that the concerned tissue culture units had applied for seed license and after receiving the DBT license and seed license remaining instalment would be released.

The reply was not tenable as each TC units did not obtain accreditation as per standard and norms of Department of Bio-Technology within the stipulated period from the date of receiving funds, failing which the assistance provided under the Scheme had to be returned.

Audit visited one TC unit at Taluka Shirur, Pune, which was sanctioned (November 2014) subsidy of ₹ 50 lakh for production of minimum 25 lakh plants per annum of the mandated crop. The funds were released in two instalments of ₹ 25 lakh each in January 2015 and October 2015 respectively. It was noticed that the average annual production of the unit was in the range of two lakh to seven lakh plants, since commencement of production of plants[65]. As per NHM Guidelines, the sanction would have been to the maximum extent of ₹ 14 lakh on pro rata basis to the extent of actual production capacity of maximum seven lakh. Thus, release of subsidy to extent of ₹ 36 lakh (50-14 lakh) was irregular.

The Government stated that TC unit was under renovation and it would take two to three months for completion. After completion, production of TC plants would start according to demands.

Reply was not convincing as the actual production of TC unit was quite below the mandated production even prior (2013-14 & 2014-15) to sanction of subsidy and also in subsequent years (2015-17). Thus the extent of subsidy sanctioned/released was in contravention of NHM guidelines.

64 Pune, Sangli, Satara, Solapur, Nashik and Akola

65 Year wise production of plants in 2013-14, 6.50 lakh; 2014-15, 6 lakh; 2015-16, 6 lakh and 2016-17, 2 lakh

## 3.3.8 Rejuvenation/replacement of senile plantation

Rejuvenation of senile plantation was included in the scheme with the objective of replacing the old and unproductive plants and strengthening the plantation of crops like mango, guava by application of pesticides, manure, water *etc*. The SHM reported coverage of 3,109 Ha on rejuvenation of senile plantation after spending ₹ 4.06 crore during the period from 2014-15 to 2016-17. Audit observed following lapses in selected districts where ₹ 0.33 crore was spent on rejuvenation of 326.50 Ha.

As per guidelines of NHM, Survey report for identification of senile and un-productive plants and age of the garden were main criteria for selection of gardens to render assistance. However, in Sindhudurg district where assistance of ₹ 7.76 lakh was paid to 40 beneficiaries for rejuvenation of cashew and mango plants during the period from 2014-15 and 2016-17, survey report and documents regarding age of the gardens for which benefits were extended to the beneficiaries were not available on record.

The Government stated that there was no written record in respect of age of gardens and the same was determined at village level by Agriculture Assistants/Supervisors.

Reply was not tenable as in the absence of baseline survey containing status of old and senile gardens, assistance being granted only on the basis of report prepared by village level Agriculture Assistants/Supervisors was not in consonance with scheme guidelines for selection of beneficiaries.

## 3.3.9 Other Deficiencies in implementation of the NHM

### 3.3.9.1 Low representation of the under-privileged

GoI had advised SHMs to ensure that 16 *per cent* and eight *per cent* of NHM funds are targeted for SC and ST beneficiaries respectively and at least 30 *per cent* of funds are earmarked for female beneficiaries/farmers. It was seen that during the period 2014-15 to 2016-17, the achievement in the State were 4.51 to 5.26 *per cent* of SCs, 1.54 to 4.10 *per cent* of STs and 13.04 to 18.63 *per cent* of women beneficiaries under NHM.

The Board stated (February 2017) that most of the population in the SC/ST category were small and marginal farmers and financially backward, therefore, could not bear farmers share of any NHM project. The Government did not reply to the audit observation.

### 3.3.9.2 Sanctioning subsidy based on invalid invoices

As per NHM guidelines issued by the Board, beneficiaries were required to produce invoices from registered dealers of VAT for purchase of various items. Audit noticed instances of subsidies sanctioned based on invoices without VAT number of the concerned dealers as shown in **Table 3.3.5.**

**Table 3.3.5: Details showing subsidy sanctioned on invoices without VAT Number**

(₹ in lakh)

| Sr. No. | Name of the office | NHM Component | No. of invoices | Amount |
|---|---|---|---|---|
| 1 | DSAO, Osmanabad | Protected Cultivation | 04 | 13.00 |
| 2 | TAO, Baramati, Distt. Pune | --do-- | 05 | 23.71 |
| 3 | TAO, Palus, Distt. Sangli | Horticulture Mechanisation | 11 | 5.92 |
| 4 | TAO, Palus, Distt. Sangli | Tissue Culture Lab | 10 | 30.15 |
| **Total** | | | **30** | **72.78** |
| *Source: Information furnished by respective DSAOs* | | | | |

Audit also noticed instances of subsidies sanctioned based on invalid invoices as detailed in **Table 3.3.6.**

**Table 3.3.6: Details of sanction of subsidy on invalid invoices**

(₹ in lakh)

| Sr. No. | Name of the office | NHM Component | No. of invoices | Amount | Agency | Remarks |
|---|---|---|---|---|---|---|
| 1 | DSAO, Sangli | Tissue Culture Lab | 05 | 4.44 | M/s SAS Filtration Technologies Pvt. Ltd., Bhosari, Pune | Date of VAT No./Reg. No. was beyond the date of Invoice |
| 2 | TAO, Indapur, Distt. Pune | Protected Cultivation | 01 | 22.14 | M/s Ravishankar Engineering Works, Mundawa, Pune | BST No. was printed in the invoice though BST was abolished in 2006. |
| 3 | DSAO, Osmanbad | --do-- | 01 | 6.55 | M/s Shri Siddhivinayak Poly House, Khed, Pune | Invoice No. not available. VAT No. available was of 8 digits only instead of 11 digits |
| **Total** | | | **07** | **33.13** | | |
| *Source: Information furnished by respective DSAOs* | | | | | | |

The above seven invoices were cross checked with the Sales Tax Department, which confirmed that the firms were not registered under MVAT Act.

The Government stated that care would be taken to verify the voucher for valuation and confirm that bills having GST number.

## 3.3.10 Monitoring and Internal controls

Monitoring and Internal Control is an integral part of the system to provide assurance to the management that departmental Rules, Regulations, and Procedures were being complied with.

As discussed in paragraphs on Scheme implementation, DSAOs had not received quarterly progress reports from beneficiaries of various components. However, DSAOs had not taken any action for obtaining the same from the beneficiaries to see that funds released were actually utilised on the components for which grants/subsidy released and scheme objectives were achieved.

It was further noticed that NHM programme was implemented in the State since 2005-06, SHM had not taken any efforts to establish internal audit wing till date (August 2017).

### 3.3.11 Impact Evaluation

As per the NHM Guidelines, Term end evaluation will be conducted at the end of XII plan period along with concurrent evaluation of all components by engaging suitable agencies/independent agency.

However, since the inception of NHM, Audit noticed that only one component *viz.* Community Tank had been evaluated by the Board in 2013 covering the period from 2005-06 to 2012-13 and thereafter, Board had not evaluated any component so far.

Due to non-conducting of concurrent evaluation outcome of the projects implemented could not be ascertained.

The Government stated that process of selection of agency for impact evaluation study was in progress.

### 3.3.12 Conclusion

The Audit of NHM as implemented in the State revealed that the Perspective Plan was not prepared whereas, the Annual Action Plans prepared without conducting baseline survey. The programme implementation was based on the farmers demand. There were cases of delayed release/non-release of State share as well as non-utilisation of the funds of Tribal Sub-Plan for want of beneficiaries.

The implementation of the NHM in the State revealed that in components like protected cultivation, rejuvenation of senile plantation the achievement was more than 100 *per cent* of the targets fixed. The achievement in the components like post-harvest management, community tank, area expansion was more than 75 *per cent,* however, it was meagre in respect of organic farming, bee keeping, establishment of marketing and nil in respect of Good Agriculture Practices (GAP), innovative interventions and technology dissemination, The "Hortnet"-e-Governance system was introduced which facilitated the filing of online applications for financial assistance by the beneficiaries and online release of payments directly to the beneficiaries‟ Bank account.

There were instances of irregular release of subsidy under four components. The community tanks were incomplete due to non-provisioning of plastic lining resulting in unfruitful expenditure since the tanks could not be utilised for farming purposes. There were instances of subsidy released to ineligible beneficiaries based on invalid invoices under some components. Fruit plantations assisted under the NHM had not survived due to adverse climate conditions rendering the assistance largely unfruitful.

The field offices had not monitored the outcome of the units and projects assisted under protected cultivation, horticulture mechanisation and post-harvest management for ensuring proper utilisation of the subsidy given.

Except for community tanks the Board did not carry out impact evaluation of any of the components of the NHM.

### 3.3.13 Recommendations

- **Government may ensure that the baseline survey as contemplated in the NHM guidelines be conducted.**
- **Government may ensure that to increase productivity and reduce the cost of cultivation GAP, innovative interventions and technology dissemination and organic cultivation need to be promoted under the programme. Financial norms for marginal and underprivileged beneficiaries need to be reviewed so as to increase their participation in the scheme.**
- **Government may ensure that the monitoring mechanism is strengthened for timely submission of reports like production particulars and quarterly progress reports by the beneficiaries assisted. Regular evaluation of different components may be conducted so as to watch outcome of the project.**

# WATER RESOURCES DEPARTMENT

## 3.4 Excess payment

**Excess payment of ₹ 20.92 crore to contractors and creation of liability of ₹ 10.36 crore due to preparation of defective estimates of 12 LIS of Jigaon Lift Irrigation Scheme.**

Jigaon Lift Irrigation Division, Khamgaon (division) allotted the works of construction of 12[66] Lift Irrigation Schemes (LIS) across Purna river at Nandura Taluka in Buldhana district to six different contractors at a total contract cost of ₹ 1,164.05 crore. The work orders for these six works were issued (February-June 2009) with stipulated period of completion of 36 months for each work.

Clause 15 (1) of the contract conditions envisaged that the Engineer, at any time after the execution of the contract document, if for any reason what-so-ever decides that the whole or any part of the work specified in the contract should be suspended for any period or that the whole or part of the work should not be carried out at all, he can issue a notice to the contractor accordingly and upon receipt of such notice, the contractor shall forthwith suspend or stop the work wholly or in part as required. The contractor shall have no claim to any payment or compensation whatsoever on account of any suspension, stoppage or curtailment of work. If, however, the contractor has purchased any material for use in the contracted work before receipt of notice, the division shall take over those materials on payment of the same.

As per Schedule of Rates (SoR) of Nagpur and Amravati Regions for the year 2008-09, for the item relating to laying of Mild Steel (MS) pipes of diameter less than 600 mm for rising main in a lift irrigation scheme, the rates given in SoR of Maharashtra Jeevan Pradhikaran (MJP) should be adopted.

Scrutiny of estimates of all 12 LIS revealed (October 2016) that in the rate analysis of one[67] of the items pertaining to laying of MS pipes along Rising Main (150 km), rate of ₹ 28,000 per MT on account of erection charges of pipes was considered. This rate was adopted from the SoR of Mechanical Department which was meant for manufacturing and erection of various types of hydraulic gates and penstocks. During the same period, the charges for laying of pipes as per MJP SoR were ₹ 5,590 per MT only. Thus, adoption of rates of erection for laying of pipes was in contravention to the provisions contained in Regional Schedule of Rates (RSR).

This fact was taken into cognizance by the Executive Director (ED), VIDC in May 2013. However, instead of invoking clause 15 (1) of the contract conditions, instructions were given (September 2013) to make the payment at the rate of ₹ 6,000 per MT on account of laying of MS Pipes instead of ₹ 28,000 per MT. Accordingly, the division while making payment to

66 12 LIS were segregated into six groups viz. Group-1 includes LIS Nos. 1,10,11 and 12; Group-II includes LIS No. 2; Group-III includes LIS No. 3; Group-IV includes LIS Nos. 4,5 and 6; Group-V includes LIS No. 7; and Group-VI includes LIS No. 8 and 9

67 Providing, manufacturing, supplying, erection and laying of MS pipes of various diameters to correct alignment etc. for Rising Main

contractors, restricted the amount on account of laying charges to ₹ 6,000 per MT. Following this, the contractors filed (2015) a writ petition in the Mumbai High Court and the Hon'ble High Court set aside (September 2013) the instructions of VIDC and directed (April 2016) to release the payment at full rate as per the terms and conditions of the contract agreements. The division made payment at the rate ranging from ₹ 19,040 to ₹ 21,009 per MT to the contractors of all 12 LIS on account of laying of M.S. pipes for the quantities of the item executed up to April 2017 and thus, created liability for the balance amount[68].

Thus, even after knowing the fact that the rate of laying was wrongly taken on higher side the division did not invoke clause 15 (1) of the contract conditions. Instead, the division made payment on account of laying charges at the rate of ₹ 6,000 per MT, which was arbitrary and was not the rate agreed upon in the agreement by the concerned parties.

This resulted in excess payment of ₹ 20.92 crore to the contractors till April 2017. Moreover, the division also created a liability of ₹ 10.36 crore being liable to pay the laying charges at ₹ 28,000 per MT to the contractors as agreed upon in the tender agreements.

In reply, the Executive Engineer stated (October 2016) that the rate of erection of rising main as per mechanical wing of WRD was considered for estimation as per instructions given in the general note of RSR of Nagpur and Amravati region for the year 2008-09. It was also stated that there was no necessity to compare the rate with MJP SoR.

The reply of the EE was not in consonance with facts as the reference given in the general note of RSR relates to MJP rates only. Further, adoption of ₹ 28,000 per MT on account of laying charges meant for erection of gates and penstocks instead of ₹ 5,590 per MT on account of laying charges of pipes derived from MJP SoR was incorrect. In addition, even after the taking cognizance (May 2013) of higher rates of laying charges at ₹ 28,000 per MT by the ED, VIDC, the Division did not invoke clause 15 (1) of the Agreement.

Matter was referred to Government (May 2017 and August 2017) their reply was awaited (December 2017).

## 3.5 Unfruitful expenditure

### 3.5.1 Delay in acquisition of land made the project unfeasible as a result expenditure of ₹ 17.88 crore incurred proved to be unfruitful and Mobilization Advance of ₹ 7.98 crore could not be recovered from the contractor.

Paragraph 251 of Maharashtra Public Works (MPW) manual 1984 envisages that no work should be commenced on land which had not been duly made over by the responsible Civil Officer. Further, when tenders for works had been accepted but the land required for the purpose was still to be acquired, the time allowed for the acquisition of the land should be ascertained from the Collectors concerned before orders for commencement of the works.

68 Differential amount of ₹ 28,000 per MT and payment made

Vidarbha Irrigation Development Corporation (VIDC), Nagpur accorded administrative approval (April 2008) for construction of a Lift Irrigation Scheme (LIS) under Pedhi Barrage Project across Pedhi river, in Amravati district at a cost of ₹ 62.76 crore. The administrative cost included, inter alia, ₹ 39.61 crore and ₹ 8.56 crore on accounts of costs of „C" works[69] and land acquisition respectively. The technical sanction to the estimate for „C" works was accorded (December 2008) for ₹ 71.37 crore.

The Executive Engineer (EE), Amravati Project Construction Division (division) awarded (March 2009) the work of construction of „C" works of Pedhi Barrage LIS to a contractor[70] at a tender cost of ₹ 79.23 crore with the stipulated period of completion of 30 months from the date of the work order (September 2011). However, the completion date was extended from time to time with the latest being June 2019.

Scrutiny of records (October 2016) of division revealed that the work of the project commenced in March 2009. It was interrupted many times by the land owners who demanded higher compensation and rehabilitation of three villages[71] falling in the submergence zone. The work was stopped in April 2012 and remained stalled till now (September 2017). A total expenditure of ₹ 22.38 crore[72] (inclusive of Mobilization Advance of ₹ 4.50 crore) was incurred on the project as of September 2017. Further, scrutiny revealed the following:

➢ **Delay in acquisition of land**

Out of 308.21 ha of land required for the project, 169.95 ha of land was acquired (upto August 2015) by the division by paying compensation of ₹ 10.04 crore and process of acquisition of remaining land of 138.26 ha was in progress. During acquisition of balance land, one of the Project Affected Persons (PAP) approached (July 2013) Civil Court, Amravati for higher compensation for his land and the court directed (August 2015) the division to pay the compensation at enhanced rate which, as worked out by Division, amounted to ₹ 54.89 lakh per ha. Further, in anticipation of the demand of enhanced rate of compensation, EE worked out the revised cost of the project at ₹ 345.83 crore[73] including the cost escalation in execution as against the original cost of ₹ 62.76 crore and submitted (December 2015) the same to VIDC for approval. This resulted in 550 *per cent* increase in land acquisition cost which adversely affected the Benefit Cost Ratio.

In view of the above, the GoM termed the project as unfeasible[74] and instructed (December 2016) that unfeasible projects should not be taken up by the department for execution.

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69 Construction of Earthen Dam, Barrage along with Gates, Jack well, Pump House, Delivery Chamber, Rising main and allied works

70 M/s. Manisha Infrastructure Pvt. Ltd., Aurangabad

71 Rohankheda, Parvatapur and Donad

72 Land acquisition: ₹ 11.43 crore; Works: ₹ 4.84 crore; Mobilisation advance: ₹ 4.50 crore; and Drawing design: ₹ 1.61 crore

73 Cost escalation in 1) land acquisition from ₹ 8.56 crore to ₹ 169.63 crore and 2) works from ₹ 39.61 crore to ₹ 141 crore

74 In case Benefit Cost ratio of the project is less than one then the project is treated as not feasible

- **Non-recovery of Mobilization Advance and interest thereon**

VIDC sanctioned (March 2009) Mobilization Advance (MA) to the tune of ₹ 7.92 crore (10 *per cent* of tendered cost i.e. ₹ 79.23 crore) to the contractor. Accordingly, an amount of ₹ 5.50 crore was released (August 2009) to the contractor after entering into a separate agreement. The principal and interest was to be recovered from the running account bills of the contractor. The Division had recovered (November 2012) ₹ 2.84 crore[75] as against ₹ 10.82 crore[76] outstanding from the contractor till March 2017. As the work has been stalled from April 2012, recovery of ₹ 7.98 crore[77] towards MA for the period from August 2009 to March 2017 could not be made from the contractor.

Thus, non-acquisition of land before execution of the project led to abnormal increase in the cost of the project and finally made the project unfeasible which eventually resulted in unfruitful expenditure of ₹ 17.88 crore and non-recovery of ₹ 7.98 crore towards MA from the contractor.

In reply, the Executive Director, VIDC, Nagpur stated (August 2017) that the maximum expenditure incurred was on the land acquisition which would be essential as and when the project activities resume after appropriate decision or else the land was asset of VIDC. As regards mobilization advance, it was stated that the balance amount could be recovered from the bank guarantee.

The fact remains that the provisions of the MPW manual with regard to availability of land before execution of the project were not complied with. Since the cost benefit ratio of the project got reduced from 1.52 to 0.64, the project was termed as unfeasible and as a result, expenditure of ₹ 17.88 crore incurred on the project proved to be unfruitful as the targeted benefits of the scheme remained unachieved.

As regards recovery of MA from Bank guarantee of the contractor, bank guarantee of ₹ 4.50 crore only existed which was not enough to safeguard the outstanding MA of ₹ 7.98 crore.

The matter was referred to the Government (April 2017 and August 2017). Their reply was awaited (December 2017).

### 3.5.2 Inordinate delay in acquisition of land required for rehabilitation of Kochi village slowed down the execution of Kochi Barrage Project and resulted in blocking of funds on account of expenditure of ₹ 81.21 crore incurred on gates.

Paragraph 251 of Maharashtra Public Works (MPW) manual 1984 states that no work should be commenced on land which had not been duly made over by the responsible Civil Officer. Further, when tenders for works had been accepted but the land required for the purpose was still to be acquired, the time allowed for the acquisition of the land should be ascertained from the Collectors concerned before orders for commencement of the works.

75 ₹ one crore towards principal and interest thereon ₹ 1.84 crore

76 ₹ 5.50 crore towards principal and interest thereon ₹ 5.32 crore

77 ₹ 4.50 crore towards principal and interest thereon ₹ 3.48 crore

Vidarbha Irrigation Development Corporation (VIDC), Nagpur accorded administrative approval (August 2007) for ₹ 262.25 crore for construction of Kochi Barrage project on Kanhan river in Nagpur district.

It was observed (November 2015) that Irrigation Project Division (IPD), Nagpur issued (April 2009), a letter of intent for the work of construction of barrage to a contractor with a specific condition that the work order would be issued only after he obtains environmental clearance (EC) from the Ministry of Environment and Forests[78] (MoEF). The contractor obtained EC (February 2012) and the Division issued (February 2012) the work order to the contractor with the stipulated period of completion of 48 months from the date of issue of work order.

The contractor started the civil work from right flank. Out of 16 gates of the spillway, civil work of eight gates up to bottom level[79] was completed for which ₹ 103.50 crore was paid (April 2017). But, the civil work of left flank along with remaining eight gates could not be started as of April 2017 due to non-rehabilitation of Kochi village as it requires acquisition of 39.44 hectares of land.

It was also observed that although the letter of intent for civil work was issued (April 2009), the proposal for acquisition of 39.44 hectares of land for rehabilitation of Kochi village was submitted to the Collector, Nagpur only in March 2010 and the award for the same was declared in March 2016. The construction of civic amenities for rehabilitation of Kochi village was not started till April 2017.

*Kochi Barrage project (December 2016)*

Consequently, only 50 *per cent* civil work of the project could be completed as of April 2017, whereas the administrative cost of the project increased from ₹ 262.25 crore to ₹ 947.24 crore (October 2016).

It was further observed that a separate tender for vertical lift gates and allied works[80] was floated and the work was awarded (August 2009) for ₹ 68.78 crore to be completed in 48 months i.e. August 2013. 75 *per cent* of the work was completed till April 2015 and ₹ 81.21 crore was paid to the contractor. However, the gates and associated structure could not be erected

78 Now renamed „Environment, Forests and Climate Change"

79 It is the base level platform on which gates rest

80 Supply, fabrication and erection of vertical lift gates, stop log gates, pylon structure and allied works

due to incomplete civil work. As a result, the 16 fabricated gates and other allied components were lying in the open, at the site, as shown in the photograph below.


*Gates lying idle at the site of work of Kochi Barrage Project (December 2016)*

Thus, the department‟s delay in pursuing the acquisition of land for rehabilitation of Kochi village delayed the progress of the project and led to idling of gates at the site of the work since April 2015. This resulted in blocking of funds on account of the expenditure of ₹ 81.21 crore, incurred on the gates.

In reply, EE, IPD, Nagpur stated (April 2017) that construction of left flank was held up due to delay in rehabilitation of Kochi village. As the Revenue Department was involved in the process, the delay in land acquisition was beyond the control of Irrigation Department. However, as the land acquisition process is being completed, the construction of civic amenities for rehabilitation will start in May 2017 and would be completed in March 2018.

The reply was not convincing as there was delay in moving proposal for acquisition of land for rehabilitation of Kochi village which was initiated in March 2010 after one year from issue (April 2009) of letter of intent for civil work to the contractor. Further, the process of acquisition of land should have been completed as per provision of MPW Manual. Therefore, the gates could not be erected till completion of civil work of the project which could only be started after rehabilitation/evacuation of Kochi village.

The matter was referred to the Government (May and August 2017); their reply was awaited (December 2017).

## 3.6 Undue benefit to a contractor

**Loading of central excise duty in the estimate and non-incorporation of condition for recovery from the contractor led to undue benefit of ₹ 10.18 crore to a contractor.**

As per Central Excise Tariff 2005-06 read with general exemption notification number 51(effective from 28 February 2005), all goods fabricated at site of work for use in construction work at such site are exempted from payment of central excise duty (CED). However, CED is payable, if fabrication is done at a site other than the site of the work.

The Executive Engineer (EE), Lift Irrigation Project Division (division), Tirora district Gondia awarded (March 2008) the work of construction of Barrage[81] across Wainganga river under Dhapewada LIS, Stage-II to a contractor[82] at a cost of ₹ 335.02 crore[83] with a stipulated period of completion of 36 months (December 2013). The contractor was paid ₹ 468.17 crore for the work (March 2017).

As per additional conditions of contract, all raw materials such as cement, steel bars etc., required for execution of works should be brought by contractor at his own cost to work site. The material required only for this work should be kept in the godown at site and the record for such material should be maintained. Thus, contractor had to bring material and fabricate the gates at site.

It was observed (July 2015) that CED at 16.32 *per cent* was loaded on the fabrication cost of steel gates in the rate analysis for gates while preparing the estimates of the work. However, the contractor had brought the raw material at the site of the project and fabricated the gates at the work site itself, therefore, no CED was payable by the contractor on the fabrication work. This caused undue benefit on account of CED to the tune of ₹ 10.18 crore to the contractor.

In reply, EE stated (July 2015) that once the rate was accepted and entered into the contract, it could not be reduced later. Further, it was the duty of the contractor to pay the CED and the Excise Department should ensure whether the CED had been paid by the contractor.

The reply of the EE was not convincing as rates applicable for fabrication should be in consonance with the provision of charging CED and contract should have been finalized accordingly.

The matter was referred to the Government (May and August 2017), their reply is awaited (December 2017).

## 3.7 Unfruitful expenditure

**An expenditure of ₹ 6.22 crore incurred on Kawatha Shelu (Storage) Minor Irrigation Scheme proved to be unfruitful due to utilization of unsuitable material for casing and its non-rectification.**

Paragraph 5.8.2 of Minor Irrigation (MI) Manual stipulated that the suitability of materials used for construction of earth dams should be ensured by studying their physical properties and testing them in a laboratory.

Work of construction of Kawatha Shelu (Storage) Minor Irrigation Scheme (Scheme) was approved (October 2008) for ₹ 5.48 crore[84] to create 285 hectare irrigation potential. The Chief Engineer (Special Project), WRD,

81 Included fabrication and erection of gates

82 M/s Soma Enterprise Ltd., Pune

83 38.95 *per cent* above the estimated cost of ₹ 241.10 crore

84 Main works-₹ 3.02 crore, Land acquisition-₹ 1.67 crore and allied works-₹ 0.79 crore

Amravati (CE), accorded (2008-09) technical sanction to the main works[85] for ₹ 3.19 crore.

The Minor Irrigation Division (MID) No. 1, Washim awarded (March 2009) the main work of the Scheme to a contractor for ₹ 3.34 crore (at 4.98 *per cent* above the estimated cost of ₹ 3.19 crore). The work was stipulated to be completed in March 2011. Work started in March 2009 but could not be completed as stipulated due to delay in acquisition of land. Extension to the work was granted up to June 2013. The project was initially executed by MID No. 1, Washim and subsequently transferred (May 2011) to MID No. 2, Karanja (Lad), district Washim. The project was, further, transferred to MID No. 2, Akola in November 2013 for administrative reasons.

It was noticed (October 2015) that prior to the execution of works, material to be used for casing[86] was tested in Soil Test Sub-division, Akola and Ram Meghe Institute of Technology & Research, Amravati. Both of them certified (May 2009) that the material was not suitable for casing. However, both the divisions viz. MID No. 1, Washim and MID No 2, Karanja (Lad) did not take cognizance of test reports and allowed the contractor to execute the work of casing by using un-suitable material during 2009-2012. As a result, the embankments in casing zone developed rain cuts measuring five to seven meters and three to four meters in vertical and horizontal surface respectively. These were noticed by the EE, MID No. 2, Karanja (Lad) in June 2013. The material utilised for casing also washed away from the surface as well as from slant portions of the embankment. Even the Report (April 2014) on soil testing of casing work sent to Maharashtra Engineering Research Institute, Nashik confirmed that the samples did not show any properties of casing zone.

Meanwhile, a proposal for ₹ 3.94 crore for removal of the substandard material of casing work, rectification of the defective work and execution of balance work was prepared. Permission was sought (October 2015) from WRD, Government of Maharashtra to remove the deficient work. However, no action was taken by the Government as of September 2017.

During joint physical verification (February 2017) of the site by the audit team with departmental officials it was noticed that no further work was executed since June 2013.The Department had incurred an expenditure of ₹ 6.22 crore[87] on this project, including ₹ 29.61 lakh for casing zone till September 2017.

In reply, Vidarbha Irrigation Development Corporation (VIDC), Nagpur stated (June 2017) that the project was still under construction and corrective measures would be taken. Further, it was also stated that departmental enquiry was being proposed against the officers concerned for using unsuitable material for casing of the dam and action would be taken accordingly.

Thus, the division"s negligence led to defective work. Further, for want of appropriate corrective action to set right the sub-standard work, the Scheme

85 Construction of earthen dam, excavation of approach & Tail Channel, Waste Weir, Head Regulator and other allied works

86 It forms the outer portion of the dam. It is constructed with murum soft rock, or sand and gravel *etc*. Casing provides a cover to the hearting protecting it from cracking. It develops shear resistance against slip, and provides stability to the dam

87 ₹ 2.15 crore on construction, ₹ 4.03 crore on land acquisition and ₹ 0.04 crore on others

was stalled since June 2013 and an expenditure of ₹ 5.92 crore incurred on the Scheme did not yield any results while there was a loss of ₹ 29.61 lakh on deficient work.

The matter was referred to the Government (March 2017 and August 2017). Their reply was awaited (December 2017).

## 3.8 Excess Payment

**Incorrect calculation of price escalation led to excess payment of ₹ 4.55 crore to a contractor.**

As per clause-33 of the Tender Agreement, if there was any variation in consumer price index for industrial labour, price of Petrol, Oil and Lubricants (POL) and major construction materials (Cement and Steel) during the operative period[88] of the contract, price escalation (PE) on this account would be calculated as per the prescribed formula in the agreement. Further, the star rate[89] of ₹ 250 per bag for cement was prescribed in the agreement.

The work of construction of Cement Concrete Lining (CCL) to Main canal[90] of the Lower Wardha project was awarded (February 2009) to a contractor[91] for ₹118.16 crore. The contractor was paid ₹ 152.41 crore including ₹ 22.40 crore on account of PE up to January 2017.

Similarly, work of construction of CCL to branch canals[92] of Lower Wardha project was awarded (July 2009) to the same contractor for ₹ 114.94 crore. The contractor was paid ₹ 149.29 crore including ₹ 32.24 crore on account of PE up to March 2016

It was noticed (May 2016) that in Lower Wardha Canal division, Wardha (division) in both the works, the price escalation was paid separately for cement and other components[93]. While calculating the price escalation division made excess payment due to considering incorrect star rate of cement; incorrect „cost of work done" and erroneous period under consideration as given below:

- As per tender agreement, star rate of ₹ 250 per bag i.e. ₹ 5,000 per ton of cement consumed in the work was agreed upon whereas the division considered ₹ 3,700 per ton in calculation of PE. As a result, while calculating the cost of work done under escalation clause for other components, the division considered lesser amount of star rate of

88 The Operative Period of the Contract shall mean the period commencing from the date of the work order issued to the Contractor and ending on the date on which the time allowed for the completion of the works specified in the Contract for work expires, taking into consideration the extension of time

89 As per the Government Resolution issued (May 2005) by Public Works Department of GOM, the star rate of cement shall be taken as the average rate of cement for the quarter preceding the month in which the last date prescribed for the receipt of tender or the rate mentioned in the District Schedule of Rates(DSR), whichever is higher

90 Construction in km 0 to 44 of main canal of Lower Wardha project by mechanical paver and batching plant

91 M/s. Srinivasa Construction Company, Nagpur

92 Construction in km 0 to 26 of Giroli branch canal and in km 0 to 38 of Deoli branch canal of Lower Wardha project

93 Labour, Other material, Petrol, Oil and Lubricants

cement by ₹ 1,300 (₹ 5,000-₹ 3,700) per ton for deduction, leading to higher value of work done for other components. Thus, there was lower escalation amount for cement but the escalation for other component was much higher which resulted in excess payment.

- The cost of work done as per the running account (RA) bills should be considered for calculation of PE. However, out of 24 RA bills, in five[94] RA bills, division considered incorrect cost[95], resulting in excess payment of PE.
- For calculation of PE, the indices prevailing in the period under consideration should be the period of the RA Bill in which the work was executed. However, out of 24 RA bills, in four[96] RA bills the division considered index of incorrect period[97] resulting in excess payment of PE.

Thus, due to variation in consumer price index of labour, material, POL and cement components for the period from December 2008 to January 2017, the division paid PE of ₹ 54.64[98] crore to the contractor whereas amount of PE payable to the contractor worked out to ₹ 50.09[99] crore. This caused an excess payment ₹ 4.55[100] crore in respect of both the works on account of PE to the contractor.

In reply, EE accepted (June 2017) that necessary recovery towards excess payment of PE would be made from contractor‟s final bill and security deposit.

The matter was referred to Government (May 2017 and August 2017); their reply was awaited (December 2017).

## 3.9 Blocking of funds

**Blocking of ₹ 116.11 crore due to incurring expenditure on work of LIS-III, Ashti district Beed of Krishna Marathwada Irrigation Project without obtaining mandatory environmental clearance.**

As per the Environment Impact Assessment (EIA) notification issued (September 2006) by the Ministry of Environment, Forest and Climate Change (MoEFCC), river valley projects having cultivable command area of more

94 RA bills numbered 5th, 6th, 14th, 15th and 17th

95 ₹ 45772393 considered as against ₹ 46488447 (5th RA bill); ₹ 36842156 considered as against ₹ 37505429 (6th RA bill); ₹ 27399966 considered as against ₹ 28931683 (14th RA bill); ₹ 36032915 considered as against ₹ 31228650 (15th RA bill) and ₹ 80134869 considered as against ₹ 180034052 (17th RA bill)

96 RA bills numbered 20th, 21st, 23rd and 24th

97 Period from 12/2013 to 02/2014 considered as against 07/2013 to 02/2014 ( 20th RA bill); Period from 08/2014 to 10/2014 considered as against 03/2014 to 10/2014 ( 21st RA bill); Period from 05/2015 to 07/2015 considered as against 11/2014 to 07/2015 (23rd RA bill) and Period from 01/2016 to 03/2016 considered as against 08/2015 to 03/2016 ( 24th RA bill)

98 ₹ 22.40 crore (main canal) and ₹ 32.24 crore (branch canals)

99 ₹ 21.39 crore (main canal) and ₹ 28.70 crore (branch canals)

100 ₹ 54.64 crore minus ₹ 50.09 crore = ₹ 4.55 crore i.e. ₹ 1.01 crore (main canal) plus ₹ 3.54 crore (branch canals)

than 10,000 ha required prior environment clearance (EC) from the MoEFCC; without which the construction work could not be started.

Godavari Marathwada Irrigation Development Corporation (GMIDC), Government of Maharashtra (GOM) accorded (August 2007) administrative approval (AA) to Krishna Marathwada Irrigation Project (KMIP) for ₹ 2,382.50 crore with an objective to irrigate 87,188 hectares of land. Initially, the project included two Lift Irrigation Schemes (LIS-I and II). In order to seek EC for the above, an application was submitted to Expert Appraisal Committee (EAC) for the project with the provisions of LIS I and II. Accordingly, terms of reference (ToR) were approved (March 2009) by MoEFCC and EIA study was started as per stated ToR. Subsequently, GMIDC revised (August 2009) the project by including another LIS[101] at Ashti Taluka (LIS-III) in Beed district to utilize 5.68 TMC water from Ujani Reservoir to irrigate 27,543 hectare land and GoM accorded (August 2009) revised AA to the project at a cost of ₹ 4,845.05 crore.

Scrutiny (December 2016) revealed that Nandur Madhmeshwar Canal (NMC) Division No. 2, Aurangabad under GMIDC, awarded (August 2009) the work of construction[102] of storage tank (ST) at Khuntephal under LIS-III without obtaining EC. In fact, LIS-III did not even find mention in the approved ToR for the Project (consisting of LIS-I and II). Further, there was nothing on record to substantiate the fact that the department had moved for seeking EC for LIS-III.

In EAC meeting held (December 2013), MoEFCC observed that the construction work was started without obtaining EC. It issued directions to stop and suspend all the works on the project and to submit an affidavit with an undertaking not to execute further works on the project without obtaining EC. Accordingly, the work was stopped (December 2013) but the contractor was paid ₹ 116.11 crore for the work executed by him before stoppage of work. As of April 2017, the work was held up for want of EC. Thus, commencing the construction work without obtaining EC in violation of MoEFCC notification resulted in blocking of ₹ 116.11 crore.

The Executive Engineer, NMC stated (April 2017) that, as per the directives of MoEFCC, study report of EIA would be submitted to EAC for obtaining EC.

The matter was referred to Government (May 2017 and August 2017), their reply is awaited (December 2017).

101 The work of Ashti LIS-III included work of approach channel, pump house, rising main, delivery chamber etc. from Ujani reservoir to Sina nimgaon ST (0 to 42.347 km); work of pump house, rising main, delivery chamber etc. from Sina nimgaon ST to Khuntephal ST (42.348 km to 49.667 km) and work of construction of earthen dam, waste weir, distributaries from Khuntephal ST

102 Construction of Earthen dam, waste weir, appurtenant works and sluice of ST

## CO-OPERATIVE, MARKETING AND TEXTILES DEPARTMENT

### 3.10 Unfruitful expenditure

**Due to non-execution of electric supply and allied works in the Reshim Sankul Project, the infrastructure created could not be put to use for the last five years which resulted in unfruitful expenditure of ₹ 2.91 crore and blocking up of ₹ 0.52 crore provided for electrification since March 2014.**

Government of Maharashtra (GoM) accorded administrative approval (July 2008 and March 2010) for Reshim Sankul Project[103] under Marathwada Development Programme 2007 at a cost of ₹ 3.43 crore to increase the area for cultivation of silkworms and to provide infrastructural facilities for development of agro based silk industry in Latur district.

Technical sanction was accorded for Phase I work (March 2009) for ₹ 1.35 crore and for Phase II work (April 2010) for ₹ 1.48 crore which also included the cost of electric supply. Both the works were to be executed on the land acquired in October 2008 from Maharashtra Industrial Development Corporation, Latur (MIDC). As per the terms and conditions of the MIDC, the Sericulture Development Officer (SDO), Latur was required to develop the acquired land within five years from the date of taking over its possession from MIDC i.e. by the end of October 2013. The SDO was required to obtain all clearances from MIDC for execution of works.

The project works of Phase I and II were entrusted (September 2008 and April 2010) to Public Works Division, Latur (PWD) as deposit works. The SDO deposited ₹ 1.56 crore (December 2008 to February 2009) and ₹ 1.35 crore (April 2010) to the PWD, Latur for execution of Phase-I and Phase-II works respectively. The civil work of the buildings of Phase I was completed (January 2010) and the work of compound wall, internal roads in Phase I and works of Phase II of the Project were completed (February 2012) at a total cost of ₹ 2.91[104] crore. However, PWD did not execute the work of electric supply. It was only in March 2012 that PWD placed demand of funds of ₹ 1.18 crore (₹ 0.42 crore for electric supply) to SDO for execution of electric supply work with other allied works[105].

Scrutiny of records revealed (February 2014 and January 2017) that demand for electric supply and allied works of ₹ 1.18 crore, raised by PWD was forwarded (March 2012) to the Director of Sericulture. The fund of ₹ 0.52 crore was sanctioned (March 2014) by the Director of Sericulture and released to PWD in March 2014. The SDO requested (July 2014) to MIDC to issue No Objection Certificate (NOC) for execution of electric supply work, however, MIDC did not issue the same on the plea that the time period for

103 Phase I work of the project includes construction of Administrative building, Reeling centre, Rearing Centre, auction hall, internal road and compound wall was administratively approved in July 2008 for ₹ 1.94 crore and Phase II work of the project includes construction of Farmers training centre and hostel building in the office campus was administratively approved in March 2010 for ₹ 1.50 crore

104 ₹ 1.56 crore + ₹ 1.35 crore

105 Work of electric supply line, installation of distribution point, water supply and land levelling

development of project (October 2013) had lapsed and further extension by paying additional service charges was not obtained. It was also observed that for granting extension to the Project up to March 2017, MIDC demanded (August 2016) ₹ 0.17 crore and ₹ 0.07 crore on account of late penalty along with service charges.

Thus, lack of pursuance and co-ordination between SDO and PWD in providing supply of electricity, the Reshim Sankul project could not be put to use even after passage of five years from completion of its civil works.

This resulted in unfruitful expenditure of ₹ 2.91 crore besides blocking up of funds of ₹ 0.52 crore since March 2014.

The Government stated (August 2017) that concerned authorities were directed to complete the remaining works of Reshim Sankul at the earliest.

## FOOD, CIVIL SUPPLIES AND CONSUMER PROTECTION DEPARTMENT

### 3.11 Injudicious decision on procurement of *Tur Dal*

**The State Government's decision of not availing the benefit of subsidised *Tur* allocated by Government of India and instead purchasing *Tur dal* locally through NCDEX, at higher rates resulted in avoidable extra expenditure of ₹ two crore. Of the purchased *Tur dal*, the Government has suffered a loss of ₹ 1.78 crore on account of unsold stocks rendered unfit for human consumption.**

Maharashtra State witnessed unprecedented price rise of pulses especially *Tur dal*, due to drought conditions consecutively in the year 2014 and 2015. The monthly average retail price of the *Tur dal* in Mumbai had increased from ₹ 82 per kg (April 2015) to ₹ 164 per kg (October 2015).

Scrutiny of records (October 2016) of Food, Civil Supplies and Consumer Protection Department (Department), Government of Maharashtra (GoM) revealed that Government of India (GoI) had allocated (May 2016) 776.813 MT of *Tur* at the rate of ₹ 66 per kg to the GoM from the buffer stock created under Price Stabilisation Fund[106] (PSF Scheme) with assurance of additional allocation of *Tur*. GoI further allocated additional 1,994.381 MT (June 2016) and 1,581.092 MT(July 2016) *Tur* respectively on the same rate. Thus, GoI allocated 4,352.286 MT of *Tur* to GoM, with the condition that the *Tur* so allocated was to be sold to consumers in open market, as part of market operations for price control measures.

The GoM decided (July 2016) to engage the Maharashtra State Co-operative Marketing Federation Ltd, Mumbai (Federation) for lifting, milling of *Tur*, packing and transportation of one kg of *Tur dal* per person at a time for sales in open market through private agencies[107] in Mumbai, Pune, Aurangabad and

106 Government of India has launched PSF Scheme in March 2015 with a corpus of ₹ 500 crore for procurement and distribution of agri-horticultural commodities, to mitigate hardships to consumers

107 The Grain & Oil Merchant Associations, Navi Mumbai; Apna Bazar, Big Bazar, Reliance Fresh, D-Mart in Mumbai, Pune, Aurangabad and Nagpur

Nagpur[108] at the rate of ₹ 120 per kg (which was reduced to ₹ 95 per kg in August 2016). Accordingly, Federation lifted 774.086 MT *Tur* from the buffer stock of GoI costing ₹ 5.11 crore between 1 August 2016 and 23 September 2016. Out of the 556.646[109] MT *Tur dal* obtained after milling, 554.645 MT *Tur dal* were sold in Mumbai and Thane Region and two MT in Pune Region during the period from 14 August 2016 to 10 October 2016 at the rate of ₹ 95 per kg.

Meanwhile, GoM decided (July 2016) to procure 7,008 MT *Tur dal* per month from NCDEX e-Market Ltd, Mumbai (NCDEX) for distribution of one kg *Tur dal* per month at the rate of ₹ 120 per kg to Antyodaya Anna Yojana (AAY) and Below Poverty Line (BPL) card holders[110] of the State through Targeted Public Distribution System (TPDS). The Department thus, procured (July 2016) 6,639.496 MT of *Tur dal* for the month of August 2016 at an average rate of ₹ 102.12 per kg, and sold 6,464.906 MT through TPDS at ₹ 103 per kg between August 2016 and May 2017. 174.590 MT remained unsold and was lying with District Supply Officers (May 2017).

We observed that:

- Though, GoI had allocated *Tur* at subsidised rates (₹ 66 per kg) in May 2016, GoM took considerable time of about three months for its lifting, milling, packaging and transportation to the private agencies and sold the *Tur dal* in the open market only in August 2016. The Department had delayed the advance payment of ₹ 5.12 crore to the Federation and there were subsequent delays by the Federation in finalisation of the milling contract of *Tur*. In the meanwhile, the *Tur* dal prices in open market in Mumbai continued to be high ranging from ₹ 148 per kg (May 2016) to ₹ 129 per kg (August 2016).
- The decision of GoM to purchase 7,008 MT *Tur dal* through NCDEX at an average rate of ₹ 102.12 per kg and its distribution to the AAY and BPL card holders through TPDS was not prudent since they did not even lift 3,575.473 MT of *Tur* (2571.123[111] MT *Tur dal*) released by the GoI at subsidised rates of ₹ 66 per kg. Thus the GoM lost an opportunity to control the prices of *Tur Dal* in the open market, which was the main objective of the GoI allocation. The decision to purchase at higher rates from NCDEX also resulted in avoidable additional expenditure of ₹ two crore[112] to the State exchequer.
- It was seen that 174.590 MT *Tur dal* procured from NCDEX costing ₹ 1.78 crore[113] remained unsold (May 2017) and was lying with District Supply Officers for more than nine months. This unsold stock had lost its shelf life as the *Tur dal* sold in open market was best for consumption for six months from the date of packaging.

108 Nagpur was subsequently replaced with Nashik due to decline in prices of Tur dal
109 774.086*71.91 per cent (recovery rate) =556.646
110 AAY=24,72,753 and BPL=45,34,836 = 70,00,000
111 3,575.473 MT*71.91%=2,571.123 MT (i.e. 25,71,123 kg)
112 25,71,123 kg*₹ 7.80 (₹ 102.12-₹ 94.32)= ₹ 2,00,54,759.40
113 1,74,590 kg*₹ 102.12=₹ 1,78,29,130.80

The Government stated (July 2017) that the delay in procurement of *Tur* from GoI for administrative reasons such as arranging for funds. However, they stated the decision was taken with approval of the Cabinet to not purchase / lift further allocation from GoI on the grounds that the prices of *Tur dal* were on decline. In respect of unsold *Tur dal* it was stated that GoM would sell the same by auction in each district and the loss if any would be borne by GoM.

Thus, the decision of State Government of not availing the benefit of subsidies *Tur* allocated by Government of India and instead purchasing *Tur dal* locally through NCDEX at higher rates resulted in avoidable extra expenditure of ₹ two crore. The State Government has suffered a loss of ₹ 1.78 crore on account of unsold stocks of *Tur dal* rendered unfit for human consumption.

## AGRICULTURE, ANIMAL HUSBANDRY, DAIRY DEVELOPMENT AND FISHERIES DEPARTMENT

### 3.12 Idling of equipment purchased under Rashtriya Krishi Vikas Yojana

**Improper planning on the part of Commissioner/Department in registration of machine and construction of dark room resulted in idling of machineries worth ₹ 2.21 crore for more than four years.**

Agriculture, Animal Husbandry, Dairy Development and Fisheries Department (Department), Government of Maharashtra (GoM) accorded (July 2010) administrative approval for implementation of scheme of Strengthening and Modernisation of Veterinary Institutions (Scheme) under Rashtriya Krishi Vikas Yojana (RKVY). State Level Sanctioning Committee (SLSC) approved (October 2010) the State Level Plan of ₹ 147.36 crore. The Technical Committee, Animal Husbandry, GoM, Pune approved (March 2011) the plan of ₹ 19 crore for purchase of modern machineries and equipment and non-residential construction for District Veterinary Polyclinics and Taluka Mini Veterinary Polyclinics. Accordingly, Department sanctioned and released (March 2011) a fund of ₹ 19 crore under RKVY for purchase of machineries and equipment.

Our Scrutiny (November 2016/May 2017) revealed that Commissioner of Animal Husbandry issued (March 2011) purchase orders of ₹ 17.23 crore for supply of machineries[114], to be supplied to District Veterinary Polyclinics and Taluka Mini Veterinary Polyclinics. The machineries were supplied between March 2011 and August 2012.

In the meantime, Department issued (August 2012) instructions to the Commissioner for registration of all the Ultra Sonography machines (USG) with the concerned Authority under Pre-Conception and Pre-Natal Diagnostic Techniques Act, 1994 (PCPNDT Act). Accordingly, Commissioner issued (August 2012) instructions to all the Regional Officers of Animal Husbandry for registration of USG.

114 Ultra-Sonography machines (121 number ₹ 7.11 crore); X-ray (handy) machines (125 number ₹ 3.11 crore); Blood Analyser (Haematological) (175 number ₹ 5.44 crore) and Blood Analyser (Bio-chemical) (175 number ₹ 1.57 crore)

Since, the USG were not registered and put to use, Commissioner requested (January 2013/February and March 2013) Commissioner, Family Welfare and Director, National Health Mission (NHM), Public Health Department for issue of instructions to all the concerned for early registration of the USG under PCPNDT, Act, and also requested (June 2013) the Department to take up the issue with the Public Health Department (PHD) for early registration.

In response, Commissioner, Family Welfare and Director, NHM, Public Health Department, GoM issued (December 2014) guidelines/directives for registration of USG of Animal Husbandry Department under Section 18 of PCPNDT Act. In turn, Department issued (May 2016) instructions for registration of USG machines under PCPNDT Act.

Pursuant to the Government directives (December 2014), the Commissioner, Animal Husbandry, GoM, Pune had demanded additional fund for the registration charges of ₹ 25,000 per USG machine through the supplementary demands in the year 2014-15, 2015-16 and 2016-17. The Department, however, released the funds only in September 2016.

Thus, the 25 USG machines costing ₹ 1.47 crore remained non-functional (November 2017) since their procurement (March 2011 and August 2012) due to non-registration of USG machines under PCPNDT Act.

It was also noticed that as per RKVY guidelines, web based Management Information System existed; however, the data regarding cost of machinery and dispensary benefited were only updated. In effect, there was no monitoring to review the installation/registration and utilisation of these USG machines.

Test check of 27 USG machines registered under PCPNDT Act revealed that 11 USG machines were in working conditions and samples were analysed but in respect of 13 USG machines, though in working conditions, no samples were tested and three USG machines were not working.

We further noticed that the X-ray machines and Blood Analysers worth ₹ 0.74 crore [115] purchased between March 2011 and July 2011 were also not functional (July 2017) since procurement. This was due to non-construction of dark rooms for X-ray machines and want of reagents for blood analyser equipment.

It was also noticed that the warranty period of USG machines (supplied between March 2011 and August 2012), X-ray (handy) machines (supplied between May 2011 and July 2011) and Blood Analysers (supplied between March 2011 to June 2011) had already lapsed since warranty period of these machines were one and one and half years from the date of supply.

Government stated (November 2017) that the registration process of USG machines under PCPNDT Act would be completed and the machines would be made functional. In respect of X-ray machines and Blood Analysers, it was stated that special efforts would be taken to make them functional at the earliest.

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115 X-ray (handy) (20 numbers ₹ 49.77 lakh), Blood Analyser (Bio-chemical) machines (six numbers ₹ 5.39 lakh) and Blood Analyser (Haematological) machines (six number ₹ 18.66 lakh)

Thus, improper planning coupled with abnormal delays in finalization of the registration process and non-availability of dark rooms and consumables for the equipment, resulted in idling of machineries worth ₹ 2.21 crore purchased between March 2011 and August 2012 (November 2017) besides, warranty of these machines had already expired.

## PUBLIC WORKS DEPARTMENT

### 3.13 Delay and cost escalation due to lack of planning and frequent changes in scope of work

**Lack of planning on the part of both the Dean, Sasoon Hospital, Pune and EE, PWD, Pune to provide for all the requirements at the planning stage of the project itself resulted in increase in cost from ₹ 34.40 crore to ₹ 164.58 crore. Besides the hospital building remained incomplete for more than six years after the scheduled date of completion, depriving the patients of the benefits of medical care with modern facilities.**

The Medical Education and Drugs Department (MEDD), Government of Maharashtra (GoM) had accorded (October 2008) Administrative Approval (AA) for construction of a multi-storied (Ground + upper nine floors) hospital building having inpatient, outpatient facilities, operational theatre *etc.* at an estimated cost of ₹ 39.98 crore. The hospital building was to be constructed by demolishing the existing old building in the compound of the Sasoon Hospital, Pune. The work was awarded (May 2009) by the Executive Engineer (EE), Public Works Division (PWD), Pune to a contractor[116] at a cost of ₹ 34.40 crore, with stipulated period of completion of 30 months from the date of issue of work order *i.e.* by November 2011.

Scrutiny of records (July 2014 and March 2016) of the EE, PWD, Pune and Office of Dean, Sasoon Hospital, Pune (January 2017) revealed that despite an expenditure of ₹ 61.33 crore (March 2017), (which included payments of extra items (EIRL) of ₹ 26.15 crore and Clause 38[117] payment of 15.28 crore), though the RCC work of all the floors, terrace and water tank were completed, the works such as plaster of all the floors, floorings, doors, windows, plumbing, painting, drainage works and sanitary fittings and water-proofing work of terrace remained incomplete (July 2017).

It was observed that;

- The PWD had submitted the plans and drawings to the planning authority i.e. Pune Municipal Corporation (PMC) in April 2009. The PMC gave their comments on 18 May 2009, the work order was issued on 28 May 2009 which, however, did not include the main item of refuge area for the higher floors in the original estimates/tender/work order. Since, the work order was issued before the approval (October 2009) of the plan by PMC, the increased quantities were executed under Clause 38 of the Agreement and payment of ₹ 15.28 crore was made towards the refuge area changes.

116 M/s Reddy Construction, Latur

117 Contractor is bound to execute the increased quantity by 25 *per cent* of the tender quantity at the tendered rates. Beyond quantity of 25 *per cent* of tender quantity, the execution of work will be either at Current District Schedule of Rate or agreed upon rates

Thus, the PWD being the nodal agency for construction of works should have provided for the municipal mandatory provisions of refuge area in high rise buildings. Failure to do so, resulted in avoidable financial burden of ₹ 2.98 crore[118], to the exchequer (due to the difference in District Schedule of Rates (DSoR) for executing the items at a later date).

- Further, as per GoM‟s instructions (August 2010), it was mandatory to use e-Tendering system from 01 October 2010 for all tenders having an estimated value of ₹ two crore and above for procurement of goods, services and works. Due to vertical expansion of the building for providing refuge area, MEDD, GoM accorded (November 2010) another AA for ₹ 34.15 crore for ancillary works like lifts and staircase *etc.* of the Hospital building. Scrutiny revealed that instead of inviting fresh tenders, the works under new AA were also awarded by the EE, Pune to the existing contractor as EIRL. This was contrary to provisions of MPW Manual and GoM‟s instructions.
- The Contractor was paid ₹ 26.15 crore as EIRL (March 2017) which included ₹ 12.49 crore on account of change in grade of concrete, water-proofing work as a result of change in the plan and design of the hospital building. The remaining amount of ₹ 13.66 crore was on account of providing and applying external stone-crete plaster, gypsum plaster for ceiling, providing cement based water proofing coating with fiber glass, providing vitrified matt finish tiles, providing white base glossy finish tiles *etc.* as per the additional requirement of the hospital. Thus, the additional extra items of ₹ 26.15 crore (approximately 35 *per cent* of the total cost of ₹ 74.13 crore of both the AA), indicated the poor planning in assessment of the requirement by the MEDD/Sasoon hospital, Pune.
- The Dean, Sasoon Hospital proposed (September 2014) further additional changes to the hospital building such as 100 Nursing rooms, fire-fighting system, modular operation theater, electrification and air-conditioner system *etc.* MEDD also decided (March 2016) to appoint a medical consultant to provide expertise to PWD at a cost of ₹ 2.09 crore. To execute the work as per the revised plan and specification of the medical consultant and Dean, Sasoon hospital, the pace of work being executed by the Contractor slowed down.

  The MEDD accorded (April 2016) another AA for ₹ 109.58 crore for internal works necessitated due to the changes made to building work. Further action like calling of tender *etc.* was not done since the building completion which was essential for starting internal works was pending with EE, Pune (July 2017).
- EE, Pune prepared and submitted (October 2016) a revised estimate for ₹ 164.58 crore (which included balance civil work of ₹ 48.07 crore, medical gas pipeline system of ₹ 23.77 crore, electrification work of ₹ 20.32 crore) to MEDD through Dean, Sassoon Hospital, Pune, and the same was pending approval (December 2017). Thus, the possibility of

118 As per Clause 38: ₹ 15,28,25,813 (-) As per tendered: ₹ 12,30,65,574 (+) Savings ₹ 1,78,308= ₹ 2,97,60,238

further delay in completion of construction of Hospital building cannot be ruled out.

The Government stated (February 2018) that fire-fighting measures and vertical expansion, which were not included in the original plan submitted by the Architect, PWD to the PMC, were included subsequently as per the suggestion of PMC. Further, 100 nursing rooms on chargeable basis were provided in order to cater to growing demand of providing nursing home facilities in Government hospital. It was further stated that the additional items, which were not provided in the original AA, were included as per the recommendations of Medical Consultant. The multi-storey hospital building would come in use for patients in forthcoming year.

The reply also corroborated the fact that there was lack of planning on the part of both the Dean, Sasoon Hospital, Pune and EE, PWD, Pune to provide for all the requirements at the planning stage of the project stage itself. This resulted in increase in cost from ₹ 34.40 crore to ₹ 164.58 crore. Besides, the Hospital building was incomplete for more than six years after the scheduled date of completion, depriving the patients of the benefits of medical care with modern facilities.

Nagpur,
The 09th March, 2018

**(RAJDEEP SINGH)**
Accountant General (Audit)-II,
Maharashtra, Nagpur

Countersigned

New Delhi,
The 13th March, 2018

**(RAJIV MEHRISHI)**
Comptroller and Auditor General of India

# APPENDICES

**Appendix 1.1**

*(Reference : Paragraph 1.7.1; Page : 8)*

**Department-wise outstanding Inspection Reports/Paragraphs issued up to December 2016 but outstanding as on 30 June 2017**

| Sr. No. | Name of the Department | | Upto 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | 2016-17 | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | IR | PARA | IR | PARA | IR | PARA | IR | PARA | IR | PARA | IR | PARA | IR | PARA |
| 1 | Agriculture, Animal Husbandry, Dairy Development and Fisheries | Nagpur | 80 | 218 | 57 | 212 | 43 | 136 | 47 | 156 | 29 | 80 | 11 | 26 | 267 | 828 |
| | | Mumbai | 170 | 347 | 4 | 10 | 20 | 64 | 16 | 52 | 13 | 63 | 12 | 64 | 235 | 600 |
| | | **Total** | **250** | **565** | **61** | **222** | **63** | **200** | **63** | **208** | **42** | **143** | **23** | **90** | **502** | **1428** |
| 2 | Co-operation and Textile | Nagpur | 5 | 7 | 2 | 2 | 10 | 36 | 28 | 69 | 18 | 32 | 0 | 0 | 63 | 146 |
| | | Mumbai | 127 | 289 | 3 | 10 | 7 | 44 | 2 | 6 | 5 | 25 | 5 | 34 | 149 | 408 |
| | | **Total** | **132** | **296** | **5** | **12** | **17** | **80** | **30** | **75** | **23** | **57** | **5** | **34** | **212** | **554** |
| 3 | Industry, Energy and Labour | Nagpur | 3 | 11 | 1 | 7 | 1 | 4 | 4 | 15 | 6 | 37 | 2 | 12 | 17 | 86 |
| | | Mumbai | 33 | 68 | 6 | 23 | 4 | 20 | 6 | 46 | 4 | 17 | 5 | 26 | 58 | 200 |
| | | **Total** | **36** | **79** | **7** | **30** | **5** | **24** | **10** | **61** | **10** | **54** | **7** | **38** | **75** | **286** |
| 4 | Public Works | Nagpur | 23 | 83 | 6 | 16 | 41 | 241 | 30 | 149 | 26 | 97 | 19 | 70 | 145 | 656 |
| | | Mumbai | 186 | 228 | 22 | 37 | 29 | 123 | 37 | 157 | 27 | 221 | 34 | 272 | 335 | 1038 |
| | | **Total** | **209** | **311** | **28** | **53** | **70** | **364** | **67** | **306** | **53** | **318** | **53** | **342** | **480** | **1694** |
| 5 | Tourism & Cultural Affairs | Nagpur | 0 | 0 | 0 | 0 | 2 | 9 | 0 | 0 | 0 | 0 | 2 | 9 | 4 | 18 |
| | | Mumbai | 14 | 40 | 0 | 0 | 1 | 7 | 1 | 11 | 2 | 9 | 1 | 6 | 19 | 73 |
| | | **Total** | **14** | **40** | **0** | **0** | **3** | **16** | **1** | **11** | **2** | **9** | **3** | **15** | **23** | **91** |
| 6 | Water Resources | Nagpur | 59 | 182 | 55 | 184 | 31 | 129 | 51 | 235 | 68 | 252 | 33 | 105 | 297 | 1087 |
| | | Mumbai | 67 | 157 | 28 | 165 | 0 | 0 | 0 | 0 | 7 | 43 | 4 | 35 | 106 | 400 |
| | | **Total** | **126** | **339** | **83** | **349** | **31** | **129** | **51** | **235** | **75** | **295** | **37** | **140** | **403** | **1487** |
| 7 | Forest | Nagpur | 28 | 70 | 12 | 54 | 12 | 41 | 17 | 57 | 13 | 41 | 5 | 20 | 87 | 283 |
| | | Mumbai | 85 | 131 | 11 | 60 | 2 | 12 | 3 | 20 | 4 | 23 | 2 | 21 | 107 | 267 |
| | | **Total** | **113** | **201** | **23** | **114** | **14** | **53** | **20** | **77** | **17** | **64** | **7** | **41** | **194** | **550** |
| **Grand Total** | | | **880** | **1831** | **207** | **780** | **203** | **866** | **242** | **973** | **222** | **940** | **135** | **700** | **1889** | **6090** |

**Appendix 1.2**

*(Reference Paragraph 1.7.3 : Page:9)*

**Statement showing number of paragraphs/reviews in respect of which Government explanatory memoranda (UORs) had not been received**

| Sr. No. | Name of the Department | Upto 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | Total |
|---|---|---|---|---|---|---|---|---|
| | **Economic Sector** | | | | | | | |
| **1** | Agriculture, Animal Husbandry, Dairy Development and Fisheries | 03 | -- | -- | -- | -- | 01 | **04** |
| **2** | Public Works | -- | -- | 01 | -- | 04 | -- | **05** |
| **3** | Forest | 01 | -- | -- | -- | -- | -- | **01** |
| **4** | Tourism and Cultural Affairs | -- | -- | -- | -- | -- | -- | -- |
| **5** | Water Resources | 01 | -- | 03 | 01 | 03 | -- | **08** |
| **6** | Industries, energy and Labour | -- | -- | -- | -- | -- | -- | **--** |
| **7** | Food, Civil Supplies and Consumer Protection | -- | -- | -- | -- | 01 | -- | **01** |
| **8** | Co-operation, Marketing and Textile | -- | -- | -- | -- | -- | -- | **--** |
| | **Total** | **05** | -- | **04** | **01** | **08** | **01** | **19** |

| Appendix 1.3<br>*(Reference : Paragraph 1.7.3: Page: 9 )*<br>**Department wise position of PAC recommendations on which Action Taken Notes were awaited** | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sr. No.** | **Name of the Department** | **1985-86 to 2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **Total** |
| 1 | Agriculture, Animal Husbandry, Dairy Development & Fisheries | 23 | 12 | -- | 02 | 02 | -- | -- | -- | -- | -- | -- | 39 |
| 2 | Public Works | 16 | -- | 02 | 12 | 04 | -- | -- | -- | 49 | -- | -- | 83 |
| 3 | Forest | -- | -- | 01 | -- | -- | -- | -- | -- | -- | -- | -- | 01 |
| 4 | Tourism and Cultural Affairs | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 5 | Water Resources | 37 | 06 | -- | 07 | 06 | -- | -- | -- | 26 | -- | -- | 82 |
| 6 | Co-operation and Textile | 04 | -- | -- | -- | 02 | -- | -- | -- | -- | -- | -- | 06 |
| 7 | Industries, Energy and Labour | 21 | -- | -- | -- | -- | -- | -- | -- | 12 | -- | -- | 33 |
| | **Total** | **101** | **18** | **03** | **21** | **14** | -- | -- | -- | **87** | -- | -- | **244** |

## Appendix 2.1.1

*(Reference: Paragraph 2.1.6 and 2.1.7; Page : 14 and 17)*

**Statement showing the component wise balance cost as of March 2017**

*(₹ in crore)*

| Sr. No. | Name of component | Sanctioned as per 2nd RAA (CSR 2005-06) | CWC Sanctioned (price level 2007-08) | Sanctioned as per 3rd RAA (CSR 2012-13) | Excess/Saving (compared with 2nd RAA) | Total expenditure as of March 2017 | Balance cost |
|---|---|---|---|---|---|---|---|
| 1 | Head work | 2060.93 | 2149.33 | 4794.56 | 2733.63 | 3515.50 | 1279.06 |
| 2 | RBC | 1134.40 | 2139.03 | 4937.98 | 3803.58 | 2951.67 | 1986.32 |
| 3 | LBC | 228.23 | 347.91 | 662.36 | 434.13 | 402.47 | 259.88 |
| 4 | Asolamendha Tank | 505.24 | 656.06 | 1796.48 | 1291.24 | 306.44 | 1490.04 |
| 5 | Tekepar LIS | 84.83 | 83.34 | 80.81 | (-) 4.02 | 84.96 | (-) 4.15 |
| 6 | Ambhora LIS | 188.10 | 216.96 | 341.04 | 152.94 | 330.53 | 10.51 |
| 7 | Mokhaburdi LIS | 418.78 | 855.02 | 2577.19 | 2158.41 | 1157.08 | 1420.11 |
| 8 | Nerala LIS | 443.26 | 517.04 | 1276.38 | 833.12 | 511.74 | 764.64 |
| 9 | Gosi LIS | 39.00 | 77.35 | 187.59 | 148.59 | 3.51 | 184.08 |
| 10 | Akot LIS | 4.99 | 6.77 | 18.76 | 13.77 | 0.12 | 18.64 |
| 11 | Pauni LIS | 0 | 0 | 128.23 | 128.23 | 0 | 128.23 |
| 12 | Sheli LIS | 0 | 0 | 149.87 | 149.87 | 0 | 149.87 |
| 13 | Shivnala LIS | 0 | 0 | 127.35 | 127.35 | 0 | 127.35 |
| | Total works | 5107.76 | 7048.81 | 17078.60 | 11970.84 | 9264.02 | 7814.58 |
| | Indirect charges | 551.33 | 729.04 | 1415.97 | 864.64 | 448.07 | 967.89 |
| | **Total cost** | **5659.09** | **7777.85** | **18494.57** | **12835.48** | **9712.09** | **8782.47** |

## Appendix 2.1.2

*(Reference: Paragraph 2.1.8.8; Page :27)*

**Statement showing the insurance charges included in the estimates**

**(₹ in crore)**

| Sr. No. | Agreement No. | Name of contractor | Name of work | Tender cost | 1% insurance charges loaded | Insurance charges actually paid | Last RA bill No. & amount paid | Excess payment |
|---|---|---|---|---|---|---|---|---|
| 1 | B-1/9 of 2009-10 | M/s Srinivasa Construction Co. & R Balarami Reddy & Co. (JV) | Construction of earthwork, structures and lining in Wadala Branch canal of Mokhabardi LIS | 187.19 | 1.87 | 0.58 (0.31%) | 15th RA bill 107.46 | 1.29 |
| 2 | B-1/12 of 2009-10 | M/s M.G. Bhangdiya, Nagpur | Construction of earthwork, structures and lining in Navtala, Metapar Branch canal and Chikhalpur sub-branch canal of Mokhabardi LIS | 174.62 | 1.74 | 0.38 (0.22%) | 14th and Final bill 227.99 | 1.36 |
| 3 | B-1/6 of 2010-11 | M/s Saibaba Construction (JV) | Construction of Earth work and Structures of Minor No. 1L its Sub-minor & Minor No. 2 L of Dy.-2L of B-1 Branch Canal | 21.71 | 0.21 | 0.06 (0.28%) | 15th RA bill 20.65 | 0.15 |
| | | | | | | | **Total** | **2.80** |

# Appendix 2.1.3

*(Reference: Paragraph 2.1.11.1: Page : 32)*

**Statement showing the inspection of sub-divisions**

| Sr. No | Name of the divisions | No. of sub divisions | Total number of times sub divisions to be inspected in 5 years (2012-13 to 2016-17) | Actual number of times sub divisions inspected | Shortfalls in Inspection of Sub division | Shortfall (in *per cent*) |
|---|---|---|---|---|---|---|
| 1 | EE, Gosikhurd Lift Irrigation Division, Ambadi | 6 | 30 | 24 | 6 | 20 |
| 2 | EE, Rehabilitation Division Ambadi | 4 | 20 | 0 | 20 | 100 |
| 3 | EE, Ambhora Lift Irrigation Division, Bhiwapur | 4 | 20 | 9 | 11 | 55 |
| 4 | EE, RBC Division, Bramhapuri | 5 | 25 | 20 | 5 | 20 |
| 5 | EE, Asolamendha Project Renovation Division, Nagbhid | 7 | 35 | 20 | 15 | 43 |
| 6 | EE, Rehabilitation Division, Nagpur | 5 | 25 | 5 | 20 | 80 |
| 7 | EE, Dam Division, Wahi (Pauni) | 4 | 20 | 0 | 20 | 100 |
| 8 | EE, LBC Division, Wahi (Pauni) | 4 | 20 | 12 | 8 | 40 |
| 9 | EE, RBC Division No. 1, Wahi (Pauni) | 3 | 15 | 0 | 15 | 100 |

*Source : Information furnished by the divisions*

## Appendix 3.2.1

*(Reference: Paragraph 3.2.2.5; Page : 55)*

**Statement showing execution of original works from Repair & Maintenance funds**

**(₹ in crore)**

| Sr. No. | Name of division | Name of work | Expenditure incurred | Division's Reply |
|---|---|---|---|---|
| 1 | EE, PW (EGS) Division, Ahmednagar | STBT[1] to Ahmednagar city Bypass Road SH-58 (Part Arangaon to Walunj) including junction improvement km 22/140 to 25/700 Taluka and Dist. Ahmednagar | 3.67 | The previous work of bypass road was not completed fully. Being the diversion road to Ahmednagar city, heavy traffic was diverted resulted in damaged road. Thus, the repairs of the road were executed under FDR. |
| 2 | | STBT to Ahmednagar City Bye pass Road SH-58 (Part Arangaon to Walunj) including junction improvement km 25/700 to 29/290 | 4.71 | |
| 3 | EE, PW Division No 2, Thane | Construction of concrete pavement road with widening of Mokhada-Kasara-Dolkhamb-Tokawada-Vaishakhare-Mhasa Road (SH-78) km 86/250 to 86/450, 90/850 to 91/150, 118/100 to 118/500, 121/250 to 121/650, 126/950 to 127/950 Dist. Thane | 4.65* | Roads having heavy traffic get damaged frequently and also due to drainage problem, the work was taken up. |
| 4 | EE, PW Division, Solapur | Special repairs to Barshi-Solapur Road SH 204 km 2/200 to 6/200 Taluka Barshi, Dist-Solapur | 1.17 | The bridge was constructed but approach road was absent hence executed. |
| 5 | EE, PW Division, Miraj | SR to Salgare-Belanki-Shirpur-Mallewadi-Takali-Miraj Road SH 153 km 137/00 to 138/500, 142/00 to 147/500 and 150/700 to 151/500 (Part I) | 2.99 | To match the road width the work was executed. |
| 6 | | SR to Salgare-Belanki<br>Shipur-Mallewadi-Takali-Miraj Road SH 153 km 151/500 to 159/500 (Part II) | 2.77 | |
| 7 | | SR to Salgare-Belanki-Shipur-Mallewadi-Takali-Miraj Road SH 153 km 159/500 to 164/500 (Part III) | 1.72 | |
| 8 | | FDR to Wangi-Ambak-Devrashtre Road Chainage km 28/800 to 29/800 | 0.20 | To match the two chainages of road the work was executed. |
| 9 | | FDR to Wangi-Ambak-Devrashtre Road km 29/800 to 30/800 | 0.17 | |

[1] Strengthening and bituminous treatment

**Appendix 3.2.1 Cont…..**

**(₹ in crore)**

| | | | | |
|---|---|---|---|---|
| 10 | EE, PW Division, Gondia | Improvement to Sironcha-Ashti-Wadsa-Kohmara road SH 276 (MSH-11) in km 250/800 to 268/900 | 5.82 | Scope of work was sanctioned by CE. |
| 11 | EE, PW Division, Wardha | Construction of Minor Bridge at Ch 13/300 on Anji-Virul road, SH-255 | 0.15 | Original CD work was completely washed away due to floods. Hence Slab culvert was constructed. |
| 12 | | Widening and improvement to Hingani-Seloo-Sukali-Waghala-Madani-Sonegaon-Alipur-Sirasgaon-Wadner to join NH-7 (SH-321) from km 48/600 to 49/800, Taluka Wardha | 1.04 | Works were sanctioned by GoM |
| 13 | | Widening and improvement to Arvi-Wardha-Ralegaon (SH-267) from km 79/00 to 81/500, Taluka Hinganghat, Dist Wardha | 0.79 | |
| 14 | | Widening and improvement to Arvi-Wardha-Ralegaon (SH-267) from km 81/500 to 84/00, Taluka Hinganghat, Dist Wardha | 0.64 | |
| **Total** | | | **30.49** | |
| *Note:* Division had not paid Contractors' bills* | | | | |

## Appendix 3.2.2

*(Reference: Paragraph 3.2.3.1; Page : 56)*

**Statement showing works awarded to single bidder**

(₹ in crore)

| Sr. No. | Name of Division | Name of work | Tendered cost |
|---|---|---|---|
| 1 | EE, PW Division, Shahada | F.D.R. to Molgi-Dab-Akkalkuwa Road, SH-3, km 9/370 to 10/500 & 14/00 to 18/200, 22/00 to 25/500 and construction of protection wall chainage 9/370 to 25/00, Tal. Akkalkuwa, Dist. Nandurbar | 2.43 |
| 2 | | F.D.R. to Songir-Dondaicha-Shahada-Dhadgaon-Molgi-Vadfali Road MSH-1, km.76/500 to 199/700 (Section-2, km.152/600 & 159/600 to 163/600), Taluka Dhadgaon, Dist. Nandurbar | 1.62 |
| 3 | | Constructing slab drains, Dhapa drains & Protection wall on State Border to Roshmal(kh)-Dhadgaon Kothar Taloda Road MSH-8, km 7/00 to 55/00 (Section-2, km 13/00 to 16/00 & 17/00 to 20/00 Ghat section length), Taluka Dhadgaon, Dist. Nandurbar | 1.61 |
| 4 | EE, PW Division, Satara | Belhe Shikrapur Jejuri Lonand Wathar Satara Road SH-117, km 184/200- Repairs to retaining wall and approach road of Arale Bridge across Krishna River, Taluka and District Satara | 1.36 |
| 5 | EE, PW Division, Solapur | Improvement to Sangola Pandharpur Shetphal Kurduwadi Road SH-210, km 53/600 to 53/800, 54/600 to 54/800, 58/00 to 58/200, 64/200 to 64/600, Taluka Mohol | 0.42 |
| 6 | | Improvement to Madha Angar Yawali Road SH-202, km 55/200 to 56/600, Taluka Mohol, Dist. Solapur | 0.42 |
| 7 | | Improvement to Madha Vairag Road SH-203, km 6/600 to 7/100, Taluka Madha, Dist. Solapur | 0.17 |
| 8 | EE, PW Division, Miraj | Special Repairs to Salgare Belanki Shipur Mallewadi Takali Miraj Road SH-153, km 151/500 to 159/500 (Part-II), Taluka Miraj, | 2.84 |
| 9 | EE, PW Division, Bhandara | S.T.B.T. to Tumsar Sihora Rampayali Road SH-271, km 106/500 to 107/500, Taluka Tumsar, Dist. Bhandara | 0.80 |
| 10 | EE, PW Division, Wardha | Improvement to Nchangaon Deoli Waigaon Hinganghat Nandori Washi Kora Road SH-322, km 72/500 to 78/600 | 1.57 |
| 11 | | S.T.B.T. to Arvi Wardha Waigaon Ralegao Road SH-267, km 26/00 to 29/00, Taluka Wardha, Dist. Wardha | 1.10 |
| 12 | EE, PW Division, Thane | Construction of concrete pavement road with widening of Mokhada-Kasara-Dolkhamb-Tokawade-Vaishakhare-Mhasa Road (SH-78), km 86/250 to 86/450, 90/850 to 91/150, 118/100 to 118/500, 121/250 to 121/650, 126/950 to 127/950, Taluka Murbad, Dist. Thane | 4.50 |
| | **Total** | | **18.84** |

## Appendix 3.3.1

*(Reference: Paragraph 3.3; Page 67)*

**Statement showing selected cluster-wise based on maximum expenditure in the district**

| Name of Cluster | Name of districts | Crops |
|---|---|---|
| Konkan | Thane, Raigad, Ratnagiri and Sindhhudurg | Mango, Cashew, Banana, Sapota, Spices and Flowers |
| Western Ghat | Pune, Solapur, Satara, Sangli, Kolhapur, Nashik, Ahmednagar, Dhule, Nandurbar and Jalgaon | Pomegranate, Cashew, Kagzilime, Guava, Grapes, Banana, Strawberry, Flower crops, Species and Medicinal plants in addition to Fig for Nashik, Ahmednagar and Pune district. |
| Marathwada | Aurangabad, Beed, Jalna, Latur, Nanded, Parbhani, Osmanabad and Hingoli | Mango, Gooseberry, Sweet Orange, Papaya, Guava, Custard Apple, Banana, Grapes, Pomegranate, Flower crops, Medicinal and Aromatic plants. In addition to this Fig for Latur and Aurangabad, Kagzilime and Sapota for Osmanabad and Hingoli Districts are included. (Guava, Medicinal and Aromatic plants, Spices not for Osmanabad and Custard apple, Flowers, Banana, Grapes and Pomegranate not for Hingoli Districts). |
| Vidarbha | Amravati, Akola, Buldhana, Yavatmal, Washim, Wardha and Nagpur | Orange, Mango, Gooseberry, Custard apple, Kagzilime, Papaya, Banana, Sweet orange, Grapes, Flower crops, Medicinal and Aromatic plants. For Nagpur district Banana, Sweet Orange, Papaya and Grapes are not included. |
| | Chadrapur, Gadchiroli and Gondia | Mango, Cashew, Sapota, Pomegranate, Gooseberry, Custard apple, Banana, Flowers, Spices, Medicinal and Aromatic plants. |
| | Bhandara | Mango, Banana, Flowers and Spices. |

# Glossary

| Acronyms and Abbreviations in respect of Paragraph Number 2.1 | |
|---|---|
| **Acronyms** | **Extended form** |
| AIBP | Accelerated Irrigation Benefit Programme |
| CAD&WM | Command Area Development and Water Management |
| CAT | Catchment Area Treatment |
| CC | Cement Concrete |
| CCA | Culturable Command Area |
| CDO | Central Designs Organisation |
| CSR | Current Schedule of Rates |
| DC | Divisional Commissioner |
| DPR | Detailed Project Report |
| EIRL | Extra Item Rate List |
| ICA | Irrigable Command Area |
| IP | Irrigation Potential |
| LBC | Left Bank Canal |
| LIS | Lift Irrigation Scheme |
| MIA | Maharashtra Irrigation Act |
| MoU | Memorandum of Understanding |
| MPCB | Maharashtra Pollution Control Board |
| MWRRA | Maharashtra Water Resources Regulatory Authority |
| NMC | Nagpur Municipal Corporation |
| NTPC | National Thermal Power Corporation Limited |
| PAC | Public Accounts Committee |
| RBC | Right Bank Canal |
| VIDC | Vidarbha Irrigation Development Corporation |
| WRD | Water Resources Department |
| WUA | Water Users Associations |
| **Acronyms and Abbreviations in respect of Paragraph Number 3.1** | |
| CCI | Cotton Corporation of India |
| CSM | Co-operative Spinning Mill |
| CTD | Co-operation and Textiles Department |
| DoT | Director of Textiles |
| MCSA | Maharashtra Co-operative Societies Act |
| MVAT | Maharashtra Value Added Tax |
| NCDC | National Co-operative Development corporation |
| RDD | Regional Deputy Director |
| **Acronyms and Abbreviations in respect of Paragraph Number 3.2** | |
| ARP | Annual Repair Programme |
| BM | Bituminous Macadam |
| BUSG | Built Up Spray Grout layer |

| | |
|---|---|
| CVC | Central Vigilance Commission |
| DLP | Defect Liability Period |
| EW | Express Way |
| FDR | Flood Damage Repair |
| LCS | Labour Co-operative Society |
| MDR | Major District Road |
| MERI | Maharashtra Engineering Research Institute |
| MH | Major Head |
| MORT&H | Ministry of Road, Transport and Highways |
| MPM | Modified Penetration Macadam |
| MPWA | Maharashtra Public Works Account |
| MSH | Major State Highway |
| NH | National Highway |
| ODR | Other District Road |
| OGPC | Open Graded Premix Carpet |
| PWD | Public Works Department |
| R&M | Repairs and Maintenance |
| RDP | Road Development Plan |
| SCADA | Supervising Control and Data Acquisition |
| SDBC | Semi Dense Bituminous Concrete |
| SH | State Highways |
| STBT | Strengthening and Bituminous Treatment |
| UE | Unemployed Engineer |
| V&QC | Vigilance and Quality Control |
| VR | Village Road |
| **Acronyms and Abbreviations in respect of Paragraph Number 3.3** | |
| AAP | Annual Action Plan |
| DMC | District Mission Committee |
| DSAO | District Superintending Agriculture Officer |
| GAP | Good Agriculture Practice |
| INM | Integrated Nutrient Management |
| IPHM | Integrated Post-Harvest Management |
| IPM | Integrated Pest Management |
| NHM | National Horticulture Mission |
| PRI | Panchayati Raj Institutions |
| SHG | Self Help Group |
| SHM | State Horticulture Mission |
| SLEC | State Level Executive Committee |
| TAO | Taluka Agriculture Officer |
| TC | Tissue Culture |
| TSP | Tribal Sub Plan |

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