REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR ENDED 31 MARCH 1988

NO. 12 OF 1989

UNION GOVERNMENT (CIVIL)

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TABLE OF CONTENTS

PREFATORY REMARKS

This Report of the Comptroller and Auditor General of India for the year ended 31 March 1988 has been prepared for submission to the President under Article 151 of the Constitution.

2. The Report includes the following reviews :

(*a*) Development of small scale industries;

(*b*) Integrated development of small and medium towns;

(*c*) National Highways.

3. The cases mentioned in this Report are among those which came to notice in the course of test audit during the year 1987-88 as well as those which came to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1987-88 have also been included, wherever considered necessary.

This Audit Report for the year ended 31 March 1988 contains 14 paragraphs including three reviews. The points highlighted in the Report are summarised below :

I. MINISTRY OF COMMERCE

(Department of Supply)

The Director General, Supplies and Disposals (DGSD) placed, in March 1984, an order on a firm for supply of 71,000 sq. metres of leather chrome tanned to be made by September 1984.

The firm ultimately did not make supplies of 67,912.23 sq. mts. and the acceptance of tender was cancelled in November 1985 at its risk and expense. Risk purchase of the cancelled quantity was made in March 1986 from another firm at an extra cost of Rs. 18.55 lakhs. Pursuit of action to recover the extra cost from the defaulting firm was tardy and till November 1988, the whereabouts of the firm were not located.

(Paragraph 1)

The DGSD placed an acceptance of tender on a firm, in October 1984, for supply of woollen yarn to an ordnance clothing factory. On receipt of the acceptance of the tender, the firm pointed out certain discrepancies as the terms were not in accordance with its offer. DGSD issued amendments to the acceptance of tender in January and February 1985. The firm informed DGSD, in October 1985, that as there was no concluded contract, it had treated the matter as closed. The indentor made local purchases during May and November 1985 at higher rates resulting in an extra expenditure of Rs. 9.12 lakhs.

(Paragraph 2)

The DGSD placed an acceptance of tender on a firm, in January/February 1982, for supply of industrial X-ray equipment for National Test House, Calcutta. The equipment was delivered in July 1984 and the crates were opened in January 1985. It was found that major components had suffered damage and were beyond repair. Despite the notice served by the DGSD, in December 1986, the firm had not replaced the damaged parts nor the equipment procured at a cost of Rs. 7.47 lakhs from abroad installed.

(Paragraph 3)

The DGSD placed an acceptance of tender in March 1983 for the purchase of 325 numbers of jacks hydraulics on an un-registered and un-tried firm which was contrary to the recommendation of the indentor that procurement should be made direct from a manufacturer and not from a selling agent. The firm defaulted and DGSD purchased the stores from another firm in December 1986 at the risk and cost of Rs. 7.33 lakhs. Besides, there was a delay of three years in meeting the demand. The demand notice issued by the DGSD to recover the extra expenditure was received back undelivered and the defaulting firm could not be located.

(Paragraph 4)

The DGSD placed an acceptance of tender on a firm, in August/September 1984, for supply of pickets M. S. long for an ordnance depot. Though the firm did not supply the advance sample as per the contractual terms, there was delay by DGSD in cancelling the order. The cancelled quantity was purchased in November 1986 at an extra expenditure of Rs. 4.91 lakhs. Since the risk purchase was made after the expiry of the period of six months from the date of breach, the defaulting firm was liable to pay only general damages. The general damages were also not assessed and they have not been recovered by DGSD from the defaulting firm.

(Paragraph 5)

The Security Paper Mill, Hoshangabad, placed in January 1987, an indent on the DGSD for supply of 100 tonnes of stabilized hydrogen peroxide conforming to ISI specification, to be supplied in road tankers, as they had built the necessary infrastructure, viz., storage tanks connected with pipe lines and pumps, to avoid manual handling of the hazardous chemical and also to save unnecessary expenditure on packing. A registered firm offered to supply the material conforming to the required specification by road tankers. However, DGSD persuaded the indentor to accept supplies in carboys offered by another firm at higher rate on the ground that the material was ISI certified and as per current instructions, ISI marked stores were to be purchased. The relevant instructions, however, provide that if ISI marked stores are not available, stores strictly conforming to ISI specifications will be purchased. As supply of ISI marked material in road tankers was not available, the purchase of material conforming to ISI specification in road tankers would have been in conformity with the accepted policy. DGSD placed an order, in July 1987, for supply of hydrogen peroxide in non-returnable carboys which resulted in an avoidable extra expenditure of Rs. 4.18 lakhs to the indentor.

(Paragraph 6)

II. MINISTRY OF INDUSTRY

Development of small scale industries.—Expenditure amounting to over Rs. 490 crores was incurred during the Sixth Plan and the first three years of the Seventh Plan against the plan outlay of Rs. 673

S/70 C&AG/89—2

crores on central and centrally sponsored schemes for the development of small scale industries. There was substantial shortfall under the Margin Money Scheme for revival of sick units (93 *per cent*), the scheme for providing self-employment to educated unemployed youth (22 *per cent*) and the District Industries Centres Programme (28 *per cent*).

Under the Scheme for providing self-employment to educated unemployed youth, according to the information compiled by Small Industries Development Organisation for 1983-84 to 1985-86, the loans were actually disbursed to only 49.3 *per cent* of the targeted beneficiaries. Sample surveys/evaluation in eight States with regard to utilisation of loans under the scheme revealed that loans amounting to over Rs. 48 crores involving central subsidy of Rs. 12 crores, had been mis-utilised/diverted for other purposes. In a large number of cases, banks had drawn full amount of central subsidy from Reserve Bank of India (RBI) for loans under the scheme which though sanctioned were not finally disbursed to the beneficiaries. Excess drawal of subsidy by the banks on this account amounted to Rs. 5.57 crores.

According to data compiled by RBI, percentage of sick units out of total small scale units had increased from 3.2 in December 1979 to 7.8 in June 1987. Margin Money Scheme for revival of sick units had a plan outlay of Rs. 20 crores for the Sixth Plan period, against which only Rs. 1.14 crores were released. The scheme was stated to be not popular as many State Governments had their own Margin Money Schemes with better norms.

The coverage under modernisation programme which was implemented by Small Industries Service Institutes was insignificant.

The establishment of monitoring and evaluation cell for undertaking regular quality assessment of the schemes and programmes and also for monitoring their implementation was recommended by the Working Group on small scale industries for the Sixth Plan. However, it had not been taken up for implementation even after a lapse of five years.

(Paragraph 12)

III. MINISTRY OF SURFACE TRANSPORT

***National Highways*.**—The Roads Wing of the Ministry of Surface Transport is responsible for formulation of policies and provision of funds for the development and maintenance of National Highways. The Roads Wing has not been able to exercise effective financial control over the execution of these works by State Governments. The reimbursement of expenditure to the States was in excess of budgetary allotment; there were instances of execution of works without approval; as also of incurring expenditure in excess of permissible limits. Delay in the progress of works financed by World Bank led to an extra liability of Rs. 101.55 lakhs till June 1988 on account of commitment charges. The provision of funds for maintenance of National Highways was far below the prescribed norms and adversely affected the maintenance of National Highways.

Faulty planning/design, inadequate survey and investigations, delay in land acquisition and award of work, change in the scope of work during execution, etc. resulted in time and cost over run.

Test check revealed cases of idle investment of Rs. 663.95 lakhs in six States and infructuous expenditure of Rs. 81.49 lakhs in five States. Further, inadequate quality control resulted in execution of substandard works, rectification of which entailed an additional expenditure of Rs. 131.12 lakhs. Of the specialized machinery for works worth Rs. 29.46 crores, acquired by the Roads Wing out of Central fund for speedy qualitative execution of works, many were either lying in an unserviceable condition or had been declared beyond economical repairs. Amounts totalling Rs. 443.28 lakhs had not been recovered from contractors/agencies for long periods. The monitoring by the Centre as well as the States was not effective/adequate.

(Paragraph 13)

IV. MINISTRY OF URBAN DEVELOPMENT

Integrated development of small and medium towns.—The centrally sponsored scheme of Development of small and medium towns providing for central assistance on matching basis was initiated in December 1979. The scheme was intensified in Sixth Five Year Plan with an outlay of Rs. 96 crores for developing 231 towns. These towns were intended to serve as growth and service centres for the rural hinter-land reducing the rate of migration from rural to urban areas. The scheme was extended in the Seventh Five Year Plan to cover additional 102 towns alongwith spill over works for which plan outlay of only Rs. 88.00 crores was made.

Against the budget provision of Rs. 137 crores, the central assistance released to the State Governments/Union Territories amounted to Rs. 111 crores only. The State Governments provided Rs. 84 crores as their share. Unutilised funds with the implementing agencies amounted to Rs. 51 crores as on 31st March 1988.

Test check of the records in 25 States and 4 Union Territories revealed that out of 235 towns taken up during the Sixth Plan period, the projects in 25 towns in four States had only been completed by March 1988. There was considerable shortfall in achievement of benefits envisaged for economically weaker sections/low income group. There was no achievement under low cost sanitation scheme till the end of the Sixth Plan. Very little progress was made under Low Cost Sanitation during the first three years of the Seventh Plan in several States. Funds over Rs. 350 lakhs were diverted by implementing agencies to works/purposes not included in the approved projects. Funds amounting to Rs. 240 lakns remained blocked due to the works remaining incomplete for a considerable time in six States|Union Territories. Assets over Rs. 290 lakhs remained unutilised in six States because of absence of essential facilities, bad location due to lack of public response etc. Works on which total expenditure of Rs. 145 lakhs had been incurred were either abandoned or were lying incomplete due to defective planning or paucity of funds.

Monitoring of the scheme at the Centre and the State level was not effective.

(Paragraph 14)

CHAPTER I

MINISTRY OF COMMERCE

(Department of Supply)

1. Purchase of leather chrome tanned

The Director General, Supplies and Disposals (DGSD) placed in March 1984 an Acceptance of Tender (A/T) on firm 'A' for supply of 58,500 sq. metres (increased to 71,000 sq. metres on the same date; value : Rs. 44.22 lakhs) of leather chrome tanned to Ordnance Equipment Factory, Kanpur. Delivery of 60,000 sq. metres was to be made by June 1984 and of the balance 11,000 sq. metres by September 1984.

The firm tendered on 30th June 1984, 4,000 sq. metres for inspection and 3,087.77 sq. metres were accepted on 3rd October 1984.

At the request of the firm, the delivery period for the entire outstanding quantity was extended up to 31st December 1984.

On 18th December 1984, the firm wrote to the DGSD that it had already offered 5,000 sq. metres for inspection and another lot of about 5,000/6,000 sq. metres was likely to be offered within a few days. The firm also stated that inspection of the various lots was taking a very long time ranging from two to three months, and requested for extension in delivery period up to 31st March 1985.

On 10th January 1985, the firm informed the Inspectorate of General Stores, Kanpur and the DGSD that in respect of 5,000 sq. metres tendered by it for inspection on 29th September 1984 intimation about the acceptance of samples had not been received from the Inspectorate. Being a small scale unit it could not afford to block its capital for an indefinite period and that in view of this, it had no alternative but to withdraw the challan for this quantity and dispose of the material in the open market for making purchases of raw material required to continue production.

Thereafter the DGSD, after consulting the Ministry of Law and Justic extended the date of delivery up to 20th June 1985 vide the performance-cum-extension notice dated 28th May 1985. The firm did not make any further supplies and the A/T for the outstanding quantity of 67,912.23 sq. metres was cancelled on 24th June 1985 at its risk and expense. In the meantime, the firm informed the DGSD vide its letter dated 19th June 1985 (received by the DGSD on 25th June 1985) that it had offered 1,000 sq. metres on 19th June 1985 for inspection and requested for extension of delivery period by five months. As such, the cancelled A/T was reinstated (15th July 1985) with date of delivery as 15th September 1985.

On the 5th, 11th and 16th August 1985, the firm informed the DGSD that the inspection authority was involving the consignee in the process of inspection and that the joint inspection was contrary to the provision of the A/T; and as such it would disallow the inspection of stores and for this breach, the responsibility would rest with the DGSD.

The Inspectorate of General Stores, Kanpur intimated the DGSD on 27th August 1985 that the visual inspection of samples drawn from the lot of 1,000 sq. metres tendered by the firm for inspection was undertaken in collaboration with the staff of Ordnance Eqipment Factory and the accepted material was stamped and the firm did not object to this inspection method. The Inspectorate, while reproting that the final inspection of the stores could not be carried out as the duly inspected and stamped stores were not available at the firm's premises, also stated that the firm, on one plea or the other, tended to delay inspection or act in a fashion whereby entire inspection effort was aborted.

The firm did not make further supplies. The DGSD, in consultation with Ministry of Law and Justice, cancelled the A/T on 15th November 1985 at the risk and expense of firm 'A' treating 15th September 1985 as the date of breach.

Risk purchase of the cancelled quantity of 67,912.23 sq. metres of leather chrome tanned was made on 4th/19th March 1986 from firm 'B' at higher rates (total value : Rs. 58.37 lakhs). The firm completed the supply on 25th May 1987. This involved an extra cost of Rs. 18.55 lakhs.

The bank guarantee of Rs. 0.75 lakh furnished by firm 'A' was got encashed by the DGSD. Risk purchase claim for Rs. 18.55 lakhs was preferred on the defaulting firm 'A' on 20th October 1987. The demand letter was received back undelivered with the remarks "the firm closed', Thereafter the DGSD requested the Director, Supplies and Disposals, Kanpur (DSD-K) and the bankers of the firm on 10th November 1987 to intimate the whereabouts of firm 'A'. The consignee was also requested to state whether fresh contract was placed on the defaulting firm and if so, to intimate its address.

The DSD-K replied on 16th December 1987 that the official deputed to trace the firm at its known address had reported that the premises of the firm were found locked and that the firm's registration number was wrong. The DGSD intimated the DSD-K in June 1988 the correct registration number of the defaulting firm as the one intimated earlier was wrong.

The case revealed that in an A/T in which a quantity of 60,000 sq. metres had to be supplied in about three months, the Inspectorate of General Stores, Kanpur took more than three months in inspecting a lot of 5,000 sq. metres tendered by the firm for inspection. The default of firm 'A' and consequent risk purchase resulted in a loss of Rs. 17.80 lakhs (Rs. 18.55 lakhs—Rs. 0.75 lakh), recovery of which was doubtful because the firm was not traceable. Pursuit of action to recover the risk purchase loss was tardy. It took the DGSD five months to issue the demand notice to the firm and further about six months to intimate the correct registration number of the defaulting firm to the DSD-K; when the latter informed that the registration number originally intimated was wrong. The DGSD did not monitor the performance of the firm effectively. Besides, the supplies had been delayed by about three years.

Department of Supply stated, in November 1988, that the reasons for delay in inspection were being ascertained from the inspector and that efforts were being made to ascertain the whereabouts of the defaulting firm so that recovery of the extra cost incurred in risk purchase was realised from it.

2. Purchase of yarn woollen

The Director General, Supplies and Disposals (DGSD) placed an Acceptance of Tender (A/T) on a firm in October 1984 for supply of 92,500 kgs. of yarn woollen at Rs. 21.90 (50,000 kgs.) and Rs. 22.40 (42,500 kgs.) per kg. to an ordnance clothing factory. The total value of the contract was Rs. 20.47 lakhs excluding central sales tax. The supply was to be made at the rate of 15,000 kgs. per month and was to be completed by May 1985 or earlier.

On receipt of the A/T, the firm, on 18th October 1984, pointed out certain discrepancies regarding the provisions relating to excise duty, delivery period, arbitration, etc., in the A/T, as these were not in accordance with its offer. The firm also stated that as per its offer, the delivery period had to commence after 45 days of receipt of the A/T complete in all respects, which had still not been received by it. It, therefore, requested for amendments in the A/T.

The DGSD on 8th January 1985 amended the excise duty and arbitration clauses only. The firm declined on 21st January 1985 to accept the A/T on the ground that it was not concluded as the same was not in accordance with its offer as the amendment to the delivery period had not been made. The DGSD vide telegram dated 4th February 1985 informed the firm that amendment letter refixing the delivery period was being issued separately.

An amendment letter extending the date of delivery up to 15th October 1985 and giving monthwise delivery schedule at the rate of 15,000 kgs. per month with commencement period of 45 days was issued by DGSD on 7th February 1985.

While reiterating that the A/T was unconcluded and unacceptable to it, the firm contended on 28th February 1985 that the amendment letter dated 7th February 1985 was a counter offer as it changed the nature of the contract from lump-sum to instalment and severable contract, and thus, had no meaning. It, therefore, requested the DGSD to withdraw the A/T.

The DGSD referred the case to the Ministry of Law and Justice in May 1985 for advice whether the A/T was a concluded one and could be cancelled at the risk and cost of the firm and if so, to indicate the date of breach. The Ministry of Law and Justice opined in July 1985 that there was no agreed date of delivery and the A/T had not been concluded with the firm.

Thereafter, on 25th July 1985 the DGSD held discussions with the firm to accept the A/T. The firm informed the DGSD in October 1985 that as there was no concluded contract it had already treated the matter as closed. The A/T was withdrawn by the DGSD in May 1988.

In the meantime, the indentor purchased locally 1,10,000 kgs. of yarn woollen at Rs. 28.94 (40,000 kgs.) and Rs. 34.31 (70,000 kgs.) per kg. from three firms in May and November 1985 respectively. The extra cost involved in the local purchase of 92,500 kgs. of yarn woollen computed on the basis of rates of the unconcluded A/T was Rs. 9.12 lakhs.

As the demand for 92,500 kgs. of yarn woollen still existed, the indentor asked the DGSD in September 1986 and January 1988 to arrange for the supply of stores urgently. This quantity was covered in September 1988 by placement of A/T on another firm at Rs. 26.14 per kg.

Failure on the part of the DGSD to issue on A/T in conformity with the offer of the firm in 1984 resulted in an unconcluded contract, which was not accepted by the firm. Consequently, the indentor had to resort to local purchase of stores at an extra cost of Rs. 9.12 lakhs.

Department of Supply stated in July 1988 that the DGSD was not aware of any local purchase made by the indentor and the indentor had been reminding for early supply of stores. The Department also stated that the indentor had telegraphically intimated in December 1986 that the entire quantity against the contract be cancelled without implication as they had sufficient quantity of yarn in their stock and dues.

The fact remains that the indentor made local purchases during May and November 1985, at higher rates. Had appropriate action been taken by the DGSD to place a concluded A/T, the extra expenditure amounting to Rs 9.12 lakhs could have been avoided by the indentor.

3. Wasteful expenditure on procurement of industrial X-ray equipment

In February 1981, Department of Supply in the then Ministry of Supply and Rehabilitation, accorded administrative approval and financial sanction to the release of foreign exchange equivalent to Rs. 7.25 lakhs and to a further sum of Rs. 0.60 lakh to be paid in Indian currency to the Indian agent of the foreign supplier as agency commission for procurement of 400 KVP industrial X-ray equipment with accessories from West Germany for the National Test House (NTH) Calcutta. The equipment was considered essential for radiographic examination of samples of thickness more than 2½". Against indent of NTH of August 1981, the Director General, Supplies and Disposals (DGSD), New Delhi placed advance Acceptance of Tender (A/T) in January 1982 followed by A/T in February 1982 in favour of the Indian firm for supply of the equipment with accessories by the foreign firm at a cost of DM. 1.46 lakhs excluding agency commission. The equipment was to be installed by the Indian agent. The equipment with accessories, reached Calcutta port in January 1983. The consignment had been insured for a sum of Rs. 6.61 lakhs on payment of a premium of Rs. 0.07 lakh. The equipment was delivered to NTH in July 1984 by the clearing agents.

Besides Rs. 6.59 lakhs towards the cost of the equipment and its handling charges, agency commission of Rs. 0.40 lakh and freight and port charges of Rs. 0.41 lakh were paid by the NTH. The crates were opened only in January 1985, six months after the receipt of equipment by the NTH, in the presence of the NTH representatives and Indian agent when it was found that the stores were in wet condition and badly damaged. The Indian agent had stated that major control components had suffered damage and were beyond repairs. Meanwhile, the warranty period of 15 months from the date of despatch of the equipment from West Germany had expired. The NTH repeatedly requested the DGSD and the Director of Inspection for conducting inspection of the equipment which had not been arranged till April 1988. Consequently, no action to prefer insurance claim could be taken by NTH till April 1988. Despite notice served (December 1986) by the DGSD, neither the damaged parts had been replaced nor the equipment been installed by the Indian firm till April 1988.

Thus, an equipment, considered indispensible by the NTH, procured at an overall cost of Rs. 7.47 lakhs had been of no avail.

The matter was reported to Ministry in May 1988; reply has not been received (March 1989).

4. Purchase of jacks hydraulic

In March 1983, the Director General, Supplies and Disposals (DGSD) placed an Acceptance of Tender (A/T) on firm 'A' for supply of 325 jacks hydraulics lifting 5,000 kgs. trolley type, manufactured by its principals, at Rs. 1,938 each (total cost : Rs. 6.30 lakhs—exclusive of sales tax) to an Ordnance Depot. Firm 'A', being an unregistered and untried unit, the A|T on it was placed with the approval of the Department of Supply. Even before placing the A/T on firm 'A', the Director of Inspection, Vehicles (DIV), New Delhi, to whom a reference was made, had indicated in February 1983 that the procurement should be made direct from a manufacturer and not from a selling agent. After the placement of the A|T. DIV protested (April 1983) as to why their recommendation for placement of A|T direct on the manufacturer had not been accepted. DIV pointed out that the undertaking given by the manufacturer/firm was not sufficient and further that the suppliers did not have facility for testing which was provided by manufacturers.

The supply was to be completed within 4-5 months after approval of the "pilot samples," *i.e.*, by 15th November 1983 (tentatively), and the "pilot samples" with two sets of manufacturing drawings were required to be submitted to the Controller of Inspection (Vehicles), Ahmednagar by 15th May 1983 for test and approval.

The firm despatched two pilot samples on 13th May 1983 for inspection but without drawings. The drawings were sent by the firm on 3rd August 1983. These were rejected and, in informing the firm so on 24th October 1983, it was asked to submit fresh samples by 20th December 1983. As fresh sample had not been received by the Inspectorate up to June 1984, the firm was called for a meeting on 23rd June 1984 when it was agreed that fresh samples would be submitted within 45 days which was also covered by extension of time. As a sequel, the date of submission of sample and the delivery period were also extended up to 15th August 1984 and 30th November 1984 respectively by a performance-cum-extension notice. The firm despatched fresh samples on 10th August 1984, which were received by the Inspectorate on 12th November 1984. The firm did not send the oil required for testing alongwith the samples which led to further delay in testing.

Since a question arose on the question of supply of the specified grade of oil required for testing, there was further delay in the testing of the samples.

A performance-cum-extension notice extending the date of submitting the sample up to 10th September 1985 was sent to the firm on 7th August 1985. This notice was received back undelivered with the remarks that "the factory remains closed." The case was referred to the Ministry of Law on 24th September 1985 for advice if the contract could be cancelled at the risk and cost of the firm. The Ministry of Law opined (22nd October 1985) that the course open to the DGSD was either to give another performance-cum-extension notice to the firm or to cancel the contract with 10th September 1985 as the date of breach.

In the meantime, the Inspecting authority rejected (October 1985) the samples. The A|T was cancelled on 9th December 1985 at the risk and cost of firm 'A' treating the date of breach as 10th September 1985. The cancellation letter was also received back undelivered on 19th December 1985.

A copy of the tender enquiry for effecting risk purchase was also sent (10th January 1986) to firm 'A' which also was received back undelivered with the remarks that the factory had closed.

Risk purchase of 325 numbers of jacks hydraulics was effected (7th/11th March 1986) from firm 'B' at Rs. 4,195 per hydraulic jack (value : Rs. 13.63 lakhs—exclusive of excise duty and sales tax) at an extra cost of Rs. 7.33 lakhs plus excise duty and sales tax. The supply was completed by firm 'B' by December 1986. Risk purchase claim for the extra expenditure of Rs. 7.33 lakhs was preferred on firm 'A' on 22nd September 1987. The demand notice issued to the firm was received back undelivered. Thereafter, the DGSD sought (15th January 1988) the help of the police authorities in Delhi and Rajasthan to locate the whereabouts of firm 'A' and also the details of movable/immovable properties of its partners. Results of the police enquiry were awaited (April 1988). The letter dated 20th January 1988 addressed by the DGSD to the principals of the firm was also received back un-delivered.

The bank guarantee for Rs. 0.13 lakh furnished (June 1983) by firm 'A' lapsed on 15th February 1984 as timely action to get its validity period extended was not taken.

The case revealed that the A/T on firm 'A' was placed contrary to the recommendation of the DIV that procurement should be made only from manufacturers and not from selling agents. The bank guarantee for Rs. 0.13 lakh furnished by the defaulting firm 'A' was allowed to lapse as timely action to get it re-validated was not taken. There was delay of three years in the delivery of stores which was required to be effected by 15th November 1983. Recovery of the extra expenditure of Rs. 7.33 lakhs plus taxes involved in risk purchase was yet (April 1988) to be made and the whereabouts of the firm were not known.

While accepting the facts, the Department of Supply stated, in November 1987, that the credibility of the firm had been verified with the bankers. On the question of DIV's recommendation that the A|T should be placed only on the manufacturers, the Department stated that they were bound by their own rules and confirmation had also been obtained from the principals of the firm that firm 'A' were their sole selling agents. This part of the reply of the Department has to be viewed in the context of DIV's letter dated 26th April 1983 protesting against the placement of the A/T on firm 'A'. This showed lack of concern for safeguarding the interest of the Government.

5. Purchase of pickets M.S. long

The Director General, Supplies and Disposals (DGSD) placed an Acceptance of Tender (A/T) on a firm in August/September 1984 for the procurement of 25,000 pickets M.S. long for an ordnance depot (value : Rs. 11.45 lakhs—inclusive of excise duty but exclusive of sales tax).

The A/T *inter alia* stipulated that the firm should submit an acceptable advance sample to the inspecting authority at Pune by 15th October 1984 through the Inspectorate of Engineering Equipment, for test and approval before starting bulk production. The supply was to commence at 15,000 numbers per month after 15 days from the date of approval of the advance sample. The firm should deposit security money of Rs. 0.54 lakh (later reduced to Rs. 0.42 lakh) by 15th October 1984.

The firm submitted the advance sample on 10th October 1984 which was rejected by the inspecting authority.

Subsequently, the dates of submission of advance sample and of security deposit (SD) were extended by the DGSD, up to 20th February 1985 (SD and sample), 30th April 1985 (SD only), 20th September 1985 (sample only) and 10th March 1986 (SD and sample). The firm submitted two more advance samples in February and September 1985 which were also found to be un-acceptable. The amendment letter giving extension up to 10th March 1986 was not acknowledged by the firm. The last two extensions *i.e.*, up to 20th September 1985 and 10th March 1986, were given since the Ministry of Law and Justice had opined (June, July 1985 and February 1986) that the A|T was kept alive as the test results of the advance samples had not been communicated to the firm, and that a preformance-cum-extension notice was a legal necessity before cancelling the A|T. There was, thus, delay in cancelling the A|T. The firm neither submitted further advance samples nor deposited the requisite security money. Thereafter, the DGSD, in consultation with the Ministry of Law and Justice, cancelled the A/T in May 1986 at the risk and cost of the firm treating 20th September 1985, as the date of breach, and informing the firm that it would be liable to pay the extra expenditure in risk purchase or the general damages in lieu thereof. By this time, the prescribed period of six months from the date of breach for making a valid risk purchase had already expired.

The cancelled quantity of 25,000 pickets M.S. long was purchased in November 1986 from another firm for Rs. 16.81 lakhs (inclusive of excise duty and sales tax) at an extra expenditure of Rs. 4.91 lakhs.

Since the risk purchase was made after the expiry of the period of six months from the date of breach, the defaulting firm was liable to pay only general damages. In order to ascertain market rate on or around the date of breach for assessing the general damages, the DGSD issued trade enquiries in January and July 1987, but these were deficient to the extent that the market rates were enquired as on or around 28th February 1985 instead of on or around 20th September 1985, the actual date of breach.

The case revealed that the risk purchase was not made within the prescribed period of six months of the date of breach. Consequently, the defaulting firm became liable to pay general damages only instead of the extra expenditure of Rs. 4.91 lakhs incurred in the re-purchase. General damages have, however, not been assessed/recovered as the market rate of stores on or about the date of breach was yet to be established (August 1988).

Department of Supply stated, in August 1988, that the error in the date in the trade enquiries was due to typographical/clerical error and a fresh circular was being issued to the trade to ascertain the market rate on or around the correct date of breach *viz.*, 20th September 1985 to assess the general damages recoverable from the defaulting firm.

6. **Purchase of stabilised hydrogen peroxide**

In an operational indent of January 1987, the Security Paper Mill, Hoshangabad, requested the Director General, Supplies and Disposals (DGSD) to procure 100 tonnes of "stabilized hydrogen peroxide 50 *per cent* W|W conforming to IS : 2080 - 1980 Grade I specification, to be despatched by aluminium road tankers, duly equipped with necessary equipment for decanting" in its storage tanks adding that as it did not have facility for weighment, the total weight of the consignment would be determined by converting the volume into weight (on the basis of the specific gravity of the material to be indicated on the inspection notes) after the material had been transferred into its storage tanks which had calibrations in litres.

Although the inspection wing gave clearance for floating the Tender Enquiry (T/E) according to the requirements of the indentor, the DGSD addressed the indentor telegraphically in February 1987 to confirm whether packing in carboys would be acceptable. In reply, the indentor insisted on supply in road tankers stating that it had storing facility erected specially for this purpose and also that supplies by road tankers would be economical.

After the DGSD issued the T/E in March 1987 with the date of opening as 31st March 1987, as per requirements of the indent, firm 'C' approached the DGSD on 21st March 1987 for permitting alternate packing in carboys on the plea that the consignee did not have weighing scale for tankers and was not unwilling to accept supplies in carboys. The DGSD addressed the indentor telegraphically on 26th March 1987 to offer comments. In reply, the indentor reiterated that it preferred the material by road tankers as it had provided storage tanks directly connected with pipe lines and pumps adding that if the demand could not be met by road tankers it would accept supplies in carboys. The T/E was accordingly amended on 20th April 1987 providing for supply in carboys also indicating that supply in road tankers would be preferred and if the demand could not be met by supply in road tankers, purchaser might accept the supplies in carboys.

In response to the T/E, four quotations were received, of which only two were considered by the DGSD. Of the two acceptable offers, firm 'N' offered material conforming to ISI specification at Rs. 24.07 per kg. in road tankers and at Rs. 25.94 per kg. in carboy packing. The next offer was from firm 'C' for ISI certified material either in returnable carboys at Rs. 26.33 per kg. (plus 4 *per cent* sales tax and rent at Rs. 4 per week per carboy for the first two weeks and Rs. 6 per week per carboy thereafter if the carboys were not returned in good condition within 15 days) or in non-returnable carboys at Rs. 28.33 per kg. (plus 4 *per cent* sales tax).

The offer of firm 'N' was ignored by the DGSD on the plea that "as per current instructions the stores are to be purchased duly ISI marked". No credence was paid to (i) the capacity report of the firm which was favourable; (ii) the inspecting officer had certified that the sample of material manufactured by the firm was tested and test results were satisfactory; (iii) the firm's rates were lower; and (iv) the firm had offered the material in road tankers. The DGSD placed Acceptance of Tender (A/T) on firm 'C' in July 1987 providing for supply of material in new 50/65 kgs. net capacity of non-returnable/returnable polythene carboys (value : Rs. 28.25 lakhs/Rs. 26.2[illegible] lakhs) leaving the option to the indentor/consignee either to retain the carboys or to return these. Supplies were to be completed by 30th April 1988.

On receipt of the A/T, the indentor drew attention to its earlier telegram of 1st April 1987 and reiterated that it preferred obtaining the chemical by road tankers because it had provided complete facility for storage and distribution to avoid manual handling of the hazardous chemical and there was wide variation (*i.e.*, Rs. 2,000 per tonne) in supplying the material in returnable and non-returnable carboys. This was followed by a telegram of 13th August 1987 stating that as the payment of Rs. 2,000 per tonne for non-returnable carboys as well as rental for returnable carboys were not acceptable, the DGSD may decide whether to negotiate with the firm or to go in for a fresh tender enquiry. After protracted correspondence between the DGSD and the indentor-wherein the indentor showed reluctance either to accept material in non-returnable carboys or to pay rent for returnable carboys and the DGSD persuading it to accept the material in non-returnable carboys--the DGSD amended the A/T in January 1988 to provide for supply of material in new 50/65 kgs. net capacity non returnable carboys (value : Rs. 28.25 lakhs). The delivery period was extended in March 1988 up to 31st December 1988 and packing clause was amended further in August 1988 providing for smaller packing of 30 kgs carboys as a special case for 2-3 months only. Out of the contracted quantity of 100 tonnes, firm 'C' supplied only 8.25 tonnes by September 1988.

Thus, the indentor wanted the material conforming to ISI specification in road tankers as he had specifically built the infrastructure of tank connected with pipe lines and pumps to avoid manual handling of the hazardous chemical and to save unnecessary expenditure on packing. Supply of material in road tankers duly ISI marked was not available, and as such purchase of stores conforming to ISI specification would have been in conformity with general guidelines for purchase. However, the DGSD repeatedly addressed the indentor with a view to persuading it to accept supplies in non-returnable carboys and finally placed the A/T for supply in non returnable carboys without regard to the indentor's interest and constraints resulting in avoidable extra expenditure of Rs. 4.18 lakhs.

Department of Supply stated, in November 1988, that the indentor did not have the weighing facility for weighment of road tankers and the competent Tender Purchase Committee ignored the offer of firm 'N' on the ground that they were not holding ISI licence and their registration was granted only on 16th June 1987, *i.e.*, after the date of tender opening.

The fact, however, remains that the indentor had indicated specific method of weighment in the absence of arrangement for weighment of road tankers which was incorporated in the tender enquiry. As regards registration granted after the tender opening, the capacity report of the firm which was required to be obtained in the case of unregistered firm was obtained and the material was found to be conforming to ISI specification.

7. Purchase of pickets M.S. short

To cover a part of the indent of an Ordnance Depot, an Acceptance of Tender (A|T) was placed by the Director General, Supplies and Disposals (DGSD) on firm 'R' in January|February 1984 for the procurement of 16,800 numbers of pickets M.S. short at Rs. 34.65 each (total cost : Rs. 5.82 lakhs) inclusive of excise duty but exclusive of sales tax. The inspecting authority, *viz.*, the Controller of Inspection, Engineering Equipment, Pune had recommended the firm for placement of a trial order.

The A|T, *inter alia*, stipulated the submission of an advance sample to the inspecting authority by the firm by 15th February 1984 through the Inspectorate of Engineering Equipment, North Zone, New Delhi, for test and approval before starting bulk production, and supply of stores within one month after approval of the advance sample.

The sample submitted (13th February 1984) by firm 'R' was cleared by the inspecting authority vide its letter of 10th April 1984 to the DGSD, for bulk manufacture, though subject to certain rectifications.

The test results were communicated to the firm by the DGSD after a time-lag of nearly 3 months by an amendment letter dated 10th July 1984 which, *inter alia*, stipulated "supply to be completed by 14th August or earlier subject to the DGSD F.M. clause."

The firm in its letter of 4th September 1984 addressed to the DGSD pointed out that :

— the finalisation of the order was delayed by which time availability of the required raw material became scarce in the market;

— due to increase in prices of raw material from June 1984, the quoted rates had become unworkable;

— there was delay of 3 months on the part of the Department in the matter of conveying the sample report and this had been done only after the price increase had come into being.

In the circumstances, the firm had requested for the issue of an essentiality certificate on Steel Authority of India Limited (SAIL) for the release of the required quantity of raw material at controlled rates and also for an increase in price of stores based on the difference of raw material cost.

The request of the firm was not agreed to by the DGSD being not in accordance with the conditions stipulated in the A|T. The A|T was cancelled, in consultation with Ministry of Law, at the risk and cost of firm 'R' on 28th November 1984, taking 14th August 1984 as the date of breach.

Later, in response to an advertised risk purchase tender enquiry with the date of opening of tenders as 17th January 1985, 23 tenderers, including the defaulting firm 'R' quoted. The offers ranged from Rs. 34.40 to Rs. 65 each. Firm 'R', however, quoted the cancelled A/T rate of Rs. 34.65 each but desired issue of a valid essentiality certificate and agreed to furnish a security deposit to the extent of 10 *per cent* in the form of bank guarantee. The firm indicated that the quotation had been sent in protest, and requested for the reinstatement of the original A|T. Firm 'R' did not respond to the DGSD's request to furnish the security deposit and to withdraw the condition of essentiality certificate. The offer was, therefore, ignored. Lower offers of seven other firms, all of whom were unregistered/untried, and hence, not eligible for consideration against risk purchase tender enquiry, were also ignored.

The cancelled quantity of 16,800 numbers was purchased (16th March|20th April 1985) by the DGSD from firm 'S' at Rs. 49.60 per number (value : Rs. 8.33 lakhs) exclusive of sales tax at an extra expenditure of Rs. 2.51 lakhs.

Since the risk purchase was not made within the prescribed period of six months from the date of breach and also lower offers of unregistered and untried firms had to be ignored, the defaulting firm 'R' was liable to pay only the general damages instead of the entire extra expenditure of Rs. 2.51 lakhs. Not only was extra expenditure in the repurchase incurred, there was also delay of about 11 months in the supply of stores.

General damages have, however, not been assessed/recovered (December 1987) as the market rate of stores on or around the date of breach was yet to be established. Action for recovery of general damages had not been initiated by the DGSD till June 1987 despite the omission having been pointed out by Audit in April 1985.

The Department of Supply stated (December 1987) that the delay of about three months in communicating the test results to the defauling firm was mainly due to the procedural tangle and the responsibility rested with the inspection authority and not with the DGSD. This view was, however, not supported by the Co-ordination Directorate of the DGSD which, while quoting their office order of August 1977, stated that in such cases the results of test were to be intimated by the purchase officer and not by the Inspecting authority.

The fact, however, remains that the procedural tangle resulted in an extra expenditure of Rs. 2.51 lakhs and DGSD was yet to recover the general damages from the defaulting firm (December 1987).

8. Purchase of steel trunks

In February 1984 the Director of Supplies and Disposals, Kanpur (DSD-K) placed an Acceptance of Tender (A|T) on firm 'K' for supply of 3,750 steel trunks at Rs. 79.90 each less 1/2 *per cent* discount (value : Rs. 2.98 lakhs—exclusive of sales tax) to the Border Security Force by May 1984 or eariler.

As no supplies were made by the firm, the DSD-K, in consultation with the Ministry of Law, cancelled the A|T in September 1984 at the risk and cost of firm 'K' treating 31st May 1984 as the date of breach.

Risk purchase A|T for the cancelled quantity was placed on the same defaulting firm 'K' in November 1984 at Rs. 79.90 per trunk after taking the requisite 10 *per cent* security deposit, with the stipulated delivery by August 1985. The firm still did not make any supplies and the A|T was cancelled in November 1985 at its risk and cost treating 31st August 1985 as the date of breach.

Against the tender enquiry issued in November 1985 for the procurement of the cancelled quantity, the tender of firm 'KG' (registered with National Small Industries Corporation Ltd.), being the lowest, was accepted and an A|T was placed on it in February 1986 for supply of 3,750 steel trunks at Rs. 79.50 each (inclusive of sales tax) (value : Rs. 2.98 lakhs) by May 1986. Acceptance of tender of firm 'KG', a sister concern of the defaulting firm 'K', was not in accordance with the departmental instructions, which provide that in risk purchase cases the lower offers of benami|allied|sister concerns of the defaulting firm should not be considered. The certificate submitted by firm 'KG' in December 1985, stating that it was not a benami concern of firm 'K was accepted by the DSD-K even though the tenders submitted earlier in November 1984 on behalf of firm 'K' and later by firm 'KG' were signed by the same person and the telephone number of both the firms was the same; and, thus both the firms were sister concerns.

Since firm 'KG' neither acknowledged the receipt of the A/T nor furnished the requisite security deposit of Rs. 2,406 due on 3rd March 1986 the DSD-K, after consulting the Ministry of law and Justice, cancelled the A/T in April 1986 at the risk and cost of firm 'KG' with date of breach as 3rd March 1986.

The risk purchase of the cancelled quantity of 3,750 steel trunks was made in August|September 1986 from three firms—'J' (2000 nos), 'S' (1,000 nos) and 'P' (750 nos) at Rs. 139, Rs. 140.70 and Rs. 141 respectively per steel trunk (total value : Rs. 5.24 lakhs—exclusive of sales tax).

The supplies against the three As|T were completed between April and October 1987. This involved an extra expenditure of Rs. 2.48 lakhs, besides delay of more than three years in supplies.

The provisional risk purchase claim for Rs. 2.48 lakhs was preferred on the defaulting firm 'KG' on 20th February 1987 which was not acknowledged. Formal demand notice was issued to the firm on 4th October 1988. Recovery of the amount claimed has not been effected so far (March 1989).

The DSD-K wrote to the National Small Industries Corporation Ltd. (NSIC) Kanpur in September 1987 that both the firms, 'K' and 'KG', had intentionally misled the department and that their names should be removed from the NSIC registration list.

The case revealed that the DSD-K did not exercise adequate scrutiny of the tenders before placing the A|T on firm 'KG', acceptance of whose offer was contrary to the departmental instructions. Since the A|T did not materialise, an extra expenditure of Rs. 2.48 lakhs on repurchase of stores had been incurred. Though the supplies against the risk purchase As|T were completed by 9th October 1987, the final demand notice for recovery of the risk purchase loss had been issued to the defaulting firm 'KG' on 4th October 1988 and the recovery had not been effected so far (March 1989).

Department of Supply stated in March 1989 that if firm 'KG' failed to respond to the demand notice the case would be examined for reference to arbitration.

9. Idling of equipment and wasteful expenditure

The Director General, Supplies and Disposals (DGSD) purchased a crane at a cost of Rs. 6.05 lakhs in April 1978 for departmental handling of heavy consignments in their depot at Remount Road, Calcutta. Till September 1978, when the crane driver retired from service, the crane was operated for only 34 hours. In the absence of its regular driver, thereafter, the crane was operated by the mechanic for another 122 hours up to January 1981. The crane went out of order in January 1981. In October 1982, the crane was sent for repairs and it was received back in the depot in November 1983 duly repaired at a cost of Rs. 0.37 lakh. The crane, however, remained idle for want of a driver till March 1987. In April 1987, a new driver was appointed but the crane was reported to be out of order since then and action to get it repaired was stated to be under way. The crane had, thus, been under repair/lying idle since January 1981.

Expenditure of Rs. 1.91 lakhs was incurred towards pay and allowances of one mechanic and two slingmen recruited for operation and maintenance of the crane between January 1981 to June 1988 when the crane remained idle or under repairs.

In the absence of availability of the departmental crane, the loading and unloading of stores at the depot was being done by the clearing agents, who were appointed for the entire shipping clearance work.

The case revealed the lackadaisical manner in which the operation, up-keep and repair of the crane was handled resulting in (i) idling of crane costing Rs. 6.05 lakhs for over seven years, (ii) infructuous expenditure of Rs. 1.91 lakhs on pay and allowances of the mechanic and the slingmen during January 1981 to June 1988, (iii) avoidable expenditure on loading and unloading of stores at the depot done by the clearing agents.

The Department of Supply stated (November 1988) that the services of the mechanic had been utilised for handling handable cargo; the slingmen were being utilised as mazdoors; and from January 1988 the clearance of imported cargo has started departmentally.

The contention of the Department regarding the utilisation of the services of the mechanic and the slingmen is not tenable as they were not employed on the specific jobs for which they had been recruited.

The expenditure on crane and the operating staff, thus remained largely unproductive. The Depot should ensure that the crane is put into operation so that the purpose for which it was procured is achieved.

10. Purchase of button turn deep neck

The Directorate of Supplies and Disposals, Kanpur (DSD-K) placed an Acceptance of Tender (A|T) in February 1984 on a firm for supply to Ordnance Equipment Factory, Kanpur of 2,25,000 sets of button turn deep neck at Rs. 69.50 per 100 sets (value : Rs. 1.56 lakhs—exclusive of sales tax). Delivery of 1,00,000 sets was to be made by April 1984, and of the balance 1,25,000 sets by September 1984 or earlier. The delivery period was extended thrice, the last extension being up to 10th June 1985.

The firm offered the entire quantity of stores for inspection on 10th June 1985. As the stores were offered on the last date of delivery period the inspecting authority issued on the same day 'fag end notice' to the firm. On 27th June 1985, the inspecting authority wrote to the indentor and under intimation to DSD-K, that no stores were physically made available by the firm for inspection, and accordingly a rejection note was issued on 18th June 1985. It was also indicated that on two earlier occasions, the firm had tendered stores for inspection but these were not physically made available. The copy of the rejection note was sent to the DSD-K on 10th September 1985.

After obtaining the advice of the Ministry of Law and Justice, DSD-K, cancelled the A/T in November 1985 at the risk and cost of the firm treating 10th June 1985, as the date of breach.

For making a valid risk purchase of the cancelled quantity within the prescribed period of six months from the date of breach, the DSD-K issued a limited tender enquiry on 19th November 1985 with the date of opening of tenders as 3rd December 1985. The tender enquiry was issued to some of the unregistered and untried firms also, though the departmental instructions provide that in risk purchase cases, the offers received from unregistered and untried firms have to be ignored thereby frustrating a valid risk purchase.

In response, offers from eight firms, including those of unregistered|untried firms, were received. After ignoring the lower offers of unregistred|untried firms, risk purchase of the cancelled quantity of 2,25,000 sets was made in February 1986 involving an extra expenditure of Rs. 1.38 lakhs.

The case revealed that a limited tender enquiry was issued, *inter alia*, to the unregistered and untried firms thereby frustrating the chances of a valid risk purchase. The risk purchase was made after the prescribed period of six months from the date of breach. Consequently, the defaulting firm became liable to pay only general damages instead of the entire extra expenditure of Rs. 1.38 lakhs. General damages have, however, not been assessed| recovered as the market rate of stores on or about the date of breach was yet to be established (December 1988).

Department of Supply stated, in December 1988, that to ascertain market rate on or about the date of breach, *i.e.*, 10th June 1985 a rate enquiry was issued on 15th July 1987, to which there was no response. Another market rate enquiry was issued on 14th October 1988 and based on the response to it further action to claim general damages would be taken.

11. Purchase of compressors reciprocating

The Director General, Supplies and Disposals (DGSD) placed in June 1984, an Acceptance of Tender (A|T) on firm 'A', an unregistered|untried firm, for 12 compressors reciprocating power driven trailor mounted (value : Rs. 10.73 lakhs—exclusive of excise duty and Central sales tax) for supply to the Director of Ordnance Services, New Delhi, by 31st October 1984 contrary to the recommendations of the Defence Inspectorate to place a trial order for 8 to 10 nos. with supply of 2 comprsssors every month.

The firm was required to pay security deposit of Rs. 0.54 lakh by 20th July 1984 and to submit a proto-type sample within one month of the receipt of order. The firm did not deposit the security or submit the sample by the stipulated dates. In response to the request made by the firm, the DGSD extended (28th August 1984) the dated of submission of the security deposit and sample to 15th and 30th September 1984 respectively.

The firm informed the DGSD telegraphically on 17th September 1984 that the bank guarantee for security deposit was under issued by its bankers and would be submitted by 22nd September 1984. The guarantee was, however, not received. The inspecting authority informed the DGSD on 29th October 1984 that the firm with its letter dated 28th September 1984 had offered for inspection one number 'bare engine' instead of the complete set of compressor and engine trailor mounted, but since the date for submission of the advance sample had already expired on 30th September 1984, the inspection of the engine could not be undertaken till further confirmation. The DGSD without any request from the firm extended (19th December 1984) the date of submission of sample and security deposit up to 20th January 1985 and of the delivery period up to 31st March 1985 on the ground that the 'price trend' of the stores was higher and the firm had submitted the sample. The firm neither acknowledged the letter nor communicated the acceptance within ten days of the receipt of amendment letter. The DGSD did not review the case for 5 months and cancelled the A/T at the risk and cost of firm 'A' in consultation with the Ministry of Law on 5th July 1985, treating 15th September 1984, which was the last mutually agreed date for submission of the security deposit, as the date of breach.

The purchase was subsequently made in February|March 1986 from firm 'B' (value : Rs. 13.19 lakhs inclusive of excise duty, but exclusive of Central sales tax) at an extra cost of Rs. 1.22 lakhs. By then, however, the period for making a valid risk purchase, *i.e.*, six months, from the date of breach had expired. Consequently, the defaulting firm was liable to pay only general damages instead of the extra expenditure of Rs. 1.22 lakhs incurred on repurchase.

The DGSD could not establish the market rate on or around the date of breach so as to assess the quantum of general damages. After consulting the Ministry of Law and *ad hoc* claim of Rs. 0.94 lakh as general damages at 7½ *per cent* of the A/T value was, however, preferred on the defaulting firm 'A' on 12th June 1986. Firm 'A' was reminded to deposit this amount on 17th February 1987 and 8th May 1987. Simultaneously, the Controller of Accounts, Department of Supply, New Delhi was also asked to withhold the amount from the pending bills of the firm. The letter addressed to firm 'A' was received back undelivered. There being no pendinfg bills of the firm with the Controller of Accounts, the DGSD advised the former to withhold a sum of Rs. 0.12 lakh recovered as security deposit against another A/T. The whereabouts of the firm were being traced by the DGSD. The officer detailed to trace the firm at its known addresses reported (April 1987) that he was given to understand that the firm had closed down two years earlier and one of its partners was working under a different name and style. Thus as a result of default by firm 'A' Government had suffered a loss of Rs. 1.10 lakhs (Rs. 1.22 lakhs—Rs. 0.12 lakh).

The case revealed that the DGSD placed the A/T on an unregistered/untried firm ignoring the advice of the Defence Inspectorate to place only a trial order. The DGSD did not take timely action to cancel the defaulted A/T immediately after the breach of contract occurred in non-submission of sample and non-deposit of security. Instead, the DGSD granted extensions on its own, which the defaulting firm did not acknowledge. The extra cost could not be recovered from the defaulting firm on acount of delay in taking a decision to cancel the A|T as also in effecting the risk purchase. The whereabouts of the firm being not known, the recovery of even general damages is doubtful. The DGSD did not have a system of monitoring of performance of firms and had this been there, the closure of the firm could have come to notice sufficiently in time for remedial action.

The Department of Supply stated (December 1987) that monitoring done in this case was ineffective and was being reviewed with a view to identifying the defects, if any, and taking remedial steps.

CHAPTER II

MINISTRY OF INDUSTRY

(Department of Industrial Development)

12. Development of small scale industries

12.1 *Introduction*

The development of small scale industries has been given high priority in successive Five Year Plans in view of the advantages in terms of low investment, high potential for employment generation and dispersal of industries especially in rural and semi-urban areas.

According to the present definition, small scale industries are undertakings having investment in plant and machinery upto Rs. 35 lakhs and in the case of ancillary units upto Rs. 45 lakhs. The village and small industries sector consists broadly of traditional industries and modern industries. Whereas traditional industries are generally artisan based and located mostly in rural and semi-urban areas involving lower levels of investment in machinery and providing largely part-time employment, modern industries use mostly power operated appliances and machinery and are generally located in urban areas. The main thrust of the industrial policy, during the Sixth and Seventh Five Year Plans was on the wide spread development of small scale sector.

12.2 *Scope of Audit*

The records relating to the implementation of all the centrally sponsored and central schemes for the period 1980-81 to 1987-88 were test-checked at offices of the Development Commissioner, Small Scale Industries (DCSSI), Small Industries Service Institutes (SISIs), extension centres, Regional Testing Centres (RTCs), Product-cum-Process Development Centres (PPDCs), production centres and specialised institutions for the development of small scale industries and Directorate of Industries of State Governments and the District Industries Centres (DICs).

A review of the DICs' programmes was included in the Report of the Comptroller and Auditor General of India, Union Government (Civil) for the year 1981-82. The recommendations of the Public Accounts Committee (PAC) in this regard are contained in the 219th Report of the PAC (1984-85) Seventh Lok Sabha and the observations on Action Taken Notes are contained in 40th Report of the PAC (1985-86) Eighth Lok Sabha.

12.3 *Organisational set up*

The development programmes of the SSIs are being implemented, under the aegis of the Ministry of Industry (Department of Industrial Development) by the Small Industries Development Organisation (SIDO) which acts as an apex body for policy formulation. SIDO is headed by the Development Commissioner, Small Scale Industries (DCSSI) who is entrusted with overall responsibility relating to promotion, development and regulation of small scale sector. A net-work of institutions has been organised in the field under SIDO. These consist of 27 Small Industries Service Institutes (SISIs), four Regional Testing Centres (RTCs), three Product-cum-Process Development Centres (PPDCs), four production centres and 19 field testing stations which have been organised to provide necessary production facilities and services.

The schemes for promotion and development of small scale industries are implemented in the States under the direction of State Directorate of Industries. The District Industries Centres (DICs) set up under the scheme introduced in 1978 serve as focal point at the district level for all services and support to small scale industries under a single roof. The Small Industries Development Corporations have also been set up in the States to aid, counsel, assist, finance and promote small scale industries in the States.

12.4 *Highlights*

The development of small scale industries sector has been given high priority in successive Five Year Plans in view of its advantages in terms of low investment, high potential for employment generation and dispersal of industries especially in rural and semi-urban areas.

- **Against the total outlay of Rs. 672.61 crores during the Sixth Plan and the first three years of the Seventh Plan, the actual expenditure incurred was Rs. 490.22 crores. The shortfall was to the extent of 27 per cent. There was substantial shortfall under the Margin Money Scheme for revival of sick units (93 per cent), the Scheme for providing self-employment to educated unemployed youth (22 per cent) and the District Industries Centres Programme (28 per cent).**

- **Though physical achievement in establishment of new units for the Sixth Plan and first three years of the Seventh Plan was reported to have exceeded the target, the Development Commissioner, Small Scale Industries did not have information about the number of units which were actually** functioning. According to information available in Small Industries Development Organisation, 48,768 units had closed down during 1980—87. According to its sample survey, 46 per cent of the units were found to be either closed, untraceable or non-responding.

— According to the figures available for the period 1983-84 to 1986-87 out of the total number of registration of new units, provisional registration was about 65 per cent indicating possibly that out of the units registered a significant number did not get permanently registered and continued to be at pre-production stage.

— Under the Scheme for providing self-employment to educated unemployed youth, according to the information compiled by Small Industries Development Organisation for 1983-84 to 1985-86, the loans were actualy disbursed to only 49.3 per cent of the targeted beneficiaries.

— Sample surveys/evaluation in eight States (Andhra Pradesh, Jammu and Kashmir, Karnataka, Maharashtra, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh) with regard to utilisation of loans under the scheme for providing self-employment to educated unemployed youth revealed that Rs. 4816.15 lakhs (involving central subsidy of Rs. 1204.04 lakhs) had been mis-utilised/diverted for other purposes.

— In a large number of cases, banks had drawn full amount of central subsidy from Reserve Bank of India for loans under the scheme for providing self-employment to educated unemployed youth which though sanctioned, were not finally disbursed to the beneficiaries resulting in excess drawal of Rs. 556.98 lakhs by the banks.

— The Margin Money Scheme for revival of sick units had a plan outlay of Rs. 2000 lakhs for the Sixth Plan period. Against this, only Rs. 113.90 lakhs were released. The scheme was not popular as many State Governments, had their own Margin Money Schemes with better norms. According to data complied by the Reserve Bank of India, percentage of sick units out of total small scale units had increased from 3.2 in December 1979 to 7.8 in June 1987.

— In view of the importance of reliable data base for formulation of policy for development of small scale industries, a scheme for collection of statistics was drawn up by the Small Industries Development Organisation with an outlay of Rs. 622 lakhs for the period 1980-81 to 1987-88. Target dates were not fixed for completion of various phases of the scheme which have remained incomplete (October 1988), resulting in non-availability of reliable and comprehensive data base.

— The modernisation programme which was implemented by Small Industries Service Institutes had insignificant coverage. This was attributed to the fact that no concrete form of assistance was given under this scheme.

— The projects for establishing Product-cum-Process Development Centres at Agra and Meerut which were scheduled to be functional by December 1985 were incomplete (November 1988).

— The establishment of a Monitoring and Evaluation Cell for undertaking regular quality assessment of the schemes and programmes and also for monitoring their implementation was recommended. However, it had not been taken up for implementation even after a lapse of five years.

12.5 *Objectives*

During the Sixth Five Year Plan, programmes for development of small scale industries were to be so designed as to achieve the following objectives :—

(i) Enhancement in the levels of production and earnings through measures like upgradation of skills and technologies and producer-oriented marketing.

(ii) Creation of additional employment opportunities on a dispersed and decentralised basis.

(iii) Development of small scale and cottage industries through District Industries Centres (DICs).

(iv) Creation of viable structure of small scale industries sector so as to progressively reduce the role of subsidies.

(v) Significant contribution of growth in the manufacturing sector through fuller utilisation of existing installed capacities.

(vi) Establishment of a wider entrepreneurial base through appropriate training and package of incentives.

(vii) Expanded efforts in export promotion.

The major objectives for the sector in the Seventh Five Year Plan were to assist in the growth and widespread dispersal of industries, increase the level of earnings, sustain and create avenues of self-employment, ensure regular supply of goods and services and develop entrepreneurship in combination with improved methods of production through appropriate training and incentives.

12.6 *Financial outlays*

The plan outlay and expenditure on the schemes financed by the Central Government during the Sixth Five Year Plan and first three years of the Seventh Five Year Plan were as under :—

(In lakhs of rupees)

Name of the Central/Centrally sponsored schemes	Sixth Plan Period			Seventh Plan Period (1985-86 to 1987-88)		
	Plan outlay	Expenditure	Shortfall	Plan outlay	Expenditure	Shortfall
1	2	3	4	5	6	7
(i) DICs	10,000	5,875.39	(—)4,124.61	5,800	5,486.85	(—)313.15
(ii) Scheme for providing self-employment to educated unemployed youth.	19,000	10,538.91	(—)8,461.09	23,760	22,668.64	(—)1,091.36
(iii) Margin money scheme for revival of sick units.	2,000	113.90	(—)1,886.10	106	33.50	(—)72.50
(iv) Central Tool Room at Ludhiana and Calcutta.	500	654.46	(+)154.46	229	211.88	(—)17.12
(v) Collection of statistics, monitoring and evaluation.	300	227.53	(—)72.47	322	293.52	(—)28.48
(vi) National Institute of Small Industry Extension and Training (NISIET), Hyderabad.	100	212.55	(+)112.55	145	105.00	(—)40.00
(vii) Central Institute of Hand Tools (CIHT), Jallundur.	200	33.54	(—)166.46	189	121.14	(—)67.86
(viii) Central Institute of Tool Design (CITD), Hyderabad.	131	26.73	(—)104.27	90	85.78	(—)4.22
(ix) Export Promotion and Marketing	186	43.94	(—)142.06	49	40.49	(—)8.51
(x) Other schemes	1,759	740.98	(—)1,018.02	2,394.50	1,507.52	(—)886.98
TOTAL	34,176	18,467.93	(—)15,708.07	33,084.50	30,554.32	(—)2,530.18

During the Sixth Plan against an outlay of Rs. 34,176 lakhs, expenditure was Rs. 18,467.93 lakhs resulting in a shortfall of 46 *per cent* . Outlay and expenditure of first three years of the Seventh Plan were Rs. 33,084.50 lakhs and Rs. 30,554.32 lakhs respectively. The shortfall in expenditure was 7.6 *per cent*. There were substantial savings during the Sixth Plan mainly on the programme under the District Industries Centres, Margin Money Scheme for revival of sick units and the scheme for providing self-employment to educated unemployed youth. While the short fall in the DICs programme and the scheme for providing self-employment to educated unemployed youth during Sixth Plan was 41 *per cent* and 45 *per cent* respectively, the shortfall in Margin Money Scheme for revival of sick units was to the extent of 94 *per cent*. During the first three years of the Seventh Plan, the shortfall in Margin Money Scheme was 68 *per cent*.

The Scheme for providing self-employment to educated unemployed youth which was being implemented by the DICs accounted for 56 *per cent* of the plan outlay during the Sixth Plan and 72 *per cent* during first three years of the Seventh Plan. Expenditure on the scheme constituted 57 *per cent* of the total expenditure during the Sixth Plan and 74 *per cent* during first three years of the Seventh Plan.

12.7 *Physical targets and achievements*

12.7.1 Details of the targets and achievements in respect of production, employment and exports of small scale units in the country as furnished by Small

Industries Development Organisation are given in the table below :—

		Sixth Five Year Plan (1980-81 to 1984-85)	Seventh Five Year Plan (1985-86 to 1987-88)
(i) Production (Rs. in crores at 1979-80	Targets	1,38,523	1,82,985
prices during Sixth Plan and at 1984-85 prices during Seventh Plan)	Achievement	1,57,906	1,96,610
(ii) Employment	Targets	394.90	301
(No. in Lakhs)	Achievement	399.15	309
(iii) Exports (Rs. in crores at 1979-80	Targets	7,335.00	8,880
prices during Sixth Plan and at 1984-85 prices during Seventh Plan)	Achievement	8,791.00	9,035
(iv) New units esta-	Targets	15.40	6.92*
blished (in lakhs)	Achievement	16.37	7.85*

*Figures for 1987-88 were not available.

According to information available in SIDO, 48,768 units were closed down due to shortage of working capital, raw material and absence or marketing facilities during 1980-81 to 1986-87 resulting in loss of employment of 1.99 lakhs persons.

The Development Commissioner, Small Scale Industries, did not have information about the number of units which were actually functioning out of those newly set up units. According to observation of the Public Accounts Committee contained in their 40th Report (1985-86) Eigth Lok Sabha on the DICs programme, the success of the programme was to be judged not by the number of new industrial units set up but by the number of units which were actually well established and were functioning efficiently.

Test-check in a few States revealed the following position: —

In Haryana, no targets were fixed for generation of additional employment for the years 1980—86. In the absence of the same, performance could not be evaluated. However, there was downward trend in the rate of growth of number of units and generation of employment which declined from 29 to 15 and 29 to 14 *per cent* respectively during 1980-81 to 1985-86.

In Madhya Pradesh, against the target of 4.80 lakh during 1980—88 the employment actually generated was 4.37 lakhs. The targets and achievements during 1985-86 were less than the average annual targets/ achievements during the preceding Sixth Plan period. Further of 2,28,115 units reported as established at the end of March 1988, information regarding the number of units actually functioning was not available with the State department. However, sample survey conducted (1980—85) by SISI, Indore revealed that out of 7,756 units in 45 districts of the State taken up for verification, 3,587 (46 *per cent*) units were either closed or were not in existence.

A test-check in five districts of Tamil Nadu disclosed that the Department had, in thier reported statistics for 1984-85 under new units established, included all the units registered with them in that year including those which commenced production in earlier year. Of the 6,314 units reported as set up in these five districts with employment generation for 36,535 persons during 1984-85 only 2,776 units providing employment for 14,296 persons were actually established during that year.

12.7.2 As per records of the SIDO, fixed investment in plant and machinery of new units established, production and employment during the year 1984—87 are given in the table below :—

Year	Investment (In lakhs of Rs.)	Production (In lakhs of Rs.)	Employment (In numbers)	Ratio of Production by investment (Col. 3 by Col. 2)	Employment generated per Rupees one lakh of investment (Col. 4 by Col. 2)
1	2	3	4	5	6
1984-85	72,772	2,18,826	11,48,258	3.00	15.8
1985-86	1,01,979	2,69,225	12,23,447	2.6	12.00
1986-87	99,367	4,17,740	13,33,024	4.2	13.4

Thus the overall ratio of production to investment increased from 3 to 4.2 and employment generated per investment of Rupees one lakh decreased from 15.8 to 13.4 during 1984-85 to 1986-87. During the three years 1984-85 to 1986-87, Punjab (6.56), Haryana (4.88) and West Bengal (4.54) had higher productivity ratios. However productivity of investment was as low as 1.80 in Bihar and Himachal Pradesh and 1.86 in Madhya Pradesh. The employment generated per investment of Rupees one lakh was relatively higher in the States of Orissa (47.92), West Bengal (21.95) and Assam (18.43). It was particularly low in Himachal Pradesh (6.08), Rajasthan (6.71) and Gujarat (7.63).

12.8 *Registration of small scale units*

An entrepreneur intending to avail himself of incentives/concessions provided by Government for the development of small scale industries is to obtain a "provisional' registration certificate from the Directorate of Industries. The provisional registration is to be converted into a permanent one when the unit goes into continuous production for a period of three months. Provisional registration is valid for one year in the first instance and is renewable for a period of one year by two six monthly extensions on submission of satisfactory proof that the entrepreneur is taking effective steps to establish the unit.

During the Sixth Plan period 12.54 lakhs new units were registered, the annual registration increased from 1.53 lakh in 1980-81 to 3.42 lakhs in 1984-85. In the first two years of Seventh Plan the number of new SSI units registered was 3.72 lakhs and 3.74 lakhs respectively.

The provisional certificates granted during 1983-84 to 1986-87 was around 65 *per cent* of the total certificates of new registration, indicating that possibly a significant number of units continued to be in preproduction stage.

In Andhra Pradesh, out of the total number of registered units, during the years 1982-83 to 1986-87 only 39 *per cent* got registered permanently. It was stated by some district officers that the unit holders were not interested in getting their units registered permanently.

The number of provisional registration upto March 1986 was 61.7 *per cent* of the total registration in Karnataka. The reasons for the slow pace of progress of units was attributed by the department to administrative and procedural delays, delay in getting credit from banks and the dwindling interest on the part of the entrepreneurs in the process.

Test-check of seven DICs in Maharashtra revealed that only about 9 to 12 *per cent* of the units registered provisionally during a year got themselves permanently registered. The permanently registered units were required to submit to the DICs annual returns showing the details of consumption of raw materials, production, investment, employment generated etc. The number of units submitting returns was negligible in all the DICs test-checked. In the absence of the same, the department had no means of assessing the performance of these units. During the years 1980-81 to 1987-88, 37 to 49 per cent of the new units registered were in the metropolitan regions of Bombay and Pune which was not in consonance with the objective of wide spread dispersal of industries as laid down in the industrial policy of the State Government during the Sixth and Seventh Plans.

In Orissa, of the total small scale industrial units, registered between 1978-79 to 1987-88 only 17 *per cent* were issued permanent registration certificates.

Six DICs test checked in Tamil Nadu, showed that the new units set up during 1981-82 to 1986-87 was 9 to 30 *per cent* of the temporary registrations granted during 1980—86.

In West Bengal out of 1,18,297 registration certificates issued between 1980-81 to 1987-88, the number of permanent registrations constituted 25 *per cent*. While the number of provisional certificates issued rose from 5,737 in 1980-81 to 23,294 in 1987-88 the number of permanent certificates declined from 7,032 in 1980-81 to 3,504 in 1987-88.

12.9 *Scheme for providing self-employment to educated unemployed youth*

12.9.1 The centrally sponsored scheme for providing self-employment to educated unemployed youth was introduced in 1983. Under this scheme, matriculate unemployed youth within the age group of 18 to 35 years not belonging to affluent section of the society were eligible for composite bank loan (term loan and working capital) not exceeding Rs. 25,000 (limit rased to Rs. 35,000 from 1986-87) to set up industry, business or service ventures. Government assistance was in the shape of an outright capital subsidy to the extent of 25 *per cent* of the loan contracted by the entrepreneurs from the banks, the subsidy was to be released to the banks only after disbursement of the loan. The disbursement of subsidy was administered through Reserve Bank of India (RBI) which reimbursed the claim of the lending banks. The subsidy portion was to be kept as a fixed deposit in commercial banks in favour of the borrower and would earn interest at the prevailing rates. After three quarters of the loan amount due was recovered from the borrower, the balance was to be adjusted against the fixed deposit including the interest accrued. Assets created by the bank loan would be mortgaged to the bank till full repayment of loan. The repayment would be in instalments beginning after an initial moratorium between 6 and 18 months. The instalments would range over three to seven years depending upon the nature and profitability of the venture. Recovery of the loan funds would be the responsibility of the banks concerned. DICs in consultation with the lead bank of the respective areas would function as the nodal agency for formulation of self-employment plans, their implementation and monitoring under the overall guidance of State Governments. The DICs with the assistance of Small Industries Service Institutes (SISIs) were to formulate location, specific plans of action based on the realistic demands, assessment for various services and project and also on the number of entrepreneurs which each particular line of production and services would be able to absorb. A task force at the DIC's level consisting of the General Manager and the credit manager of the DIC, a representative each from the lead bank, SISI concerned and the District Employment Officer was responsible for motivating and selecting the entrepreneurs, identifying and preparing schemes in the trade, service establishments and small scale industries, determining the avocation/activities for each of the entrepreneur, recommending loans for the entreprenuers and getting speedy clearance as necessary from the authorities concerned. The overall supervision was provided by the Development Commissioner, Small Scale Industries, with the assistance of the Banking Division of the Department of Economic Affairs and the Industries Department of States/Union Territories (UTs).

12.9.2 The target set for the scheme, was to benefit 2.50 lakhs persons each year. According to information furnished by SIDO, number of applications scrutinised and recommended to banks and number of applicants to whom loans were sanctioned by banks during 1983-84 to 1987-88 were as under:

Year	Target	No. of applications scrutinised and recommended to banks	No. of applicants to whom loans were sanctioned by banks	
1	2	3	4	
			No.	Percentage sanctioned with reference to Col. 3
1983-84 to 1985-86	7,43,000	11,38,774	6,89,455	61
1986-87	2,50,000	3,31,013	2,16,956	66
1987-88	1,25,000	2,08,248	1,20,223	58
TOTAL	11,18,000	16,78,035	10,26,634	61

The number of applicants to whom loans were sanctioned by the banks were 61 *per cent* of the total number of applications recommended to the banks by DIC task force during 1983-84 to 1987-88. According to information compiled by SIDO for the years 1983-84 to 1985-86. The loans were actually disbursed to only 49.3 *per cent* of the targeted beneficiaries.

According to information compiled by SIDO, the number of actual beneficiaries was 39 *per cent*, 40 *per cent* and 30 *per cent* of the targets fixed for 1983-84 to 1985-86 in the States of Bihar, Madhya Pradesh and West Bengal respectively.

The reasons furnished by some States for rejection of applications by the banks were mainly:

(i) non-completion of applications forwarded by DICs;

(ii) non-viability of the scheme and non-compliance of the norms laid down by banks; and,

(iii) entrepreneurs were defaulters in the bank or were already employed.

This indicated that the scrutiny by the task force which included a representative of the bank was inadequate.

Further it was noticed that during the period 1983-84 to 1985-86, only 45.5 *per cent* of the loans sanctioned were finally disbursed to the applicants. The Reserve Bank of India (RBI) noticing that some banks were not disbursing loans for want of allocation of funds issued instructions in 1984 that financial assistance should not be denied on the ground that sanctioned amount exceeded the allocation made by the Head Office.

12.9.3 Sample surveys/evaluation in regard to utilisation carried out by DCIs or by nominated agencies in five States revealed that considerable amount of loans had been misutilised/diverted for other purposes.

Evaluation of the units assisted during 1983-84 and 1984-85 in Uttar Pradesh conducted by State Planning Institute revealed that against Rs. 8,562.68 lakhs disbursed to 0.56 lakh unit, Rs. 4,195.71 lakhs (involving subsidy of Rs. 1,048.95 lakhs) had been misutilised. 24 *per cent* did not establish the units at all, 15 *per cent* of the assisted units utilised the amount for strengthening established business, four per cent utilised the amount for establishing units other than approved ones, five *per cent* closed down subsequently and one *per cent* involved in other irregularities.

Test-check of units in five districts in Karnataka by the DICs and financing banks revealed that a sum of Rs. 212.12 lakhs (1075 cases) was found to have been misutilised, *i.e.* ventures not started at all and ventures later abandoned. Further during test check of the bank records, misutilisation of loans involving subsidy of Rs. 33.01 lakhs was also noticed.

Evaluation study for 1983-84 and 1984-85 of Sangrur and Patiala districts conducted by North India Technical Consultancy Organisation in 1987 revealed that out of 812 units involving disbursement of Rs. 152.88 lakhs, 207 units involving loans of Rs. 38.44 lakhs were not working. Further evaluation study of Ropar and Jalandhar districts conducted by National Productivity Council disclosed that out of 800 units which were given loans during 1983-84 and 1984-85, 212 units were not working.

Test-check of the records in Karim Nagar and Nizamabad districts of Andhra Pradesh revealed that 242 cases of misutilisation of loans were reported to the police. Out of these, in 19 cases loans amounting to Rs. 3.52 lakhs were misutilised and particulars were not available for 223 cases. Further misutilisation of loans involving subsidy of Rs. 3.69 lakhs was also noticed during test-check of the bank records.

Cases of misutilisation of loans were also noticed in Assam, Chandigarh, Haryana, Orissa and Tamil Nadu.

Verification of records in five DICs of Tamil Nadu showed that of the units assisted in 1983-84 and 1984-85, 39 *per cent* and 19 *per cent* had not commenced production till February 1986. During test-check of the records of the banks it was noticed that loans involving subsidy of Rs. 4.03 lakhs were also misutilised.

Evaluation study conducted by officers of Small Industries Development Organisation in August 1985 in Chandigarh revealed that out of 280 loanees financed during 1983-84 only 87 established their units, 90 utilised for expansion of their units and 103 loanees closed their units after receiving financial assistance.

Evaluation conducted jointly by DICs and banks in September 1986 of the units assisted during 1983-84 and 1984-85 in Orissa revealed that out of 2,687 units verified, 1369 (50.9 *per cent*) units misutilised the loans.

Survey conducted by DICs of the cases assisted during 1983-84 and 1984-85 in the three districts of Haryana revealed that 528 (30 *per cent*) out of 1757 units surveyed misutilised the loans. While beneficiaries were not traceable in 21 cases, in 144 cases units had been abandoned and in 363 cases units had not been established at all. During 1983-84 and 1984-85 1818 units were disbursed Rs. 392.00 lakhs in one district in Assam, 236 units out of 443 inspected units were found to be non-existing or beneficiaries were untraceable. Misutilisation of loans involving subsidy of Rs. 1.75 lakhs, Rs. 48.50 lakhs and Rs. 0.61 lakh was also noticed in the States of Jammu and Kashmir, Maharashtra and Rajasthan respectively during test-check of the records of the banks.

As per guidelines issued by the Reserve Bank of India, the amount of subsidy in respect of units which misutilised the loan amount is to be adjusted/credited to Government. In regard to the position as to the recovery|refund of the amounts involved, the Ministry stated, in March 1989, that the adjustment of subsidy is done by RBI and they had no comments.

12.9.4 It had been laid down in the scheme that from 1984-85 a minimum of 50 *per cent* of the ventures should be through the industry route and not more than 30 *per cent* of the ventures should relate to small business. This was done to ensure that this scheme created productive assets in the country. The proportion set down for different routes of ventures was not adhered to in the following States :

In Uttar Pradesh the percentage of cases sanctioned during 1986-87 through the industry route was as low as 6.9. In the case of Himachal Pradesh and Jammu and Kashmir, it was 28.5 and 2.8 respectively in 1986-87. In Assam, in 1985-86 the percentage of cases sanctioned through busisess route was 44.4 and in Himachal Pradesh it was 57.9.

The Ministry stated, in March 1989, that all the States were not strictly adhering to the norms and it was being impressed upon the State Governments to stick to the norms.

12.9.5 From 1986-87 a minimum of 30 *per cent* of the total sanctions of loan had been reserved for Scheduled Castes (SC) or Scheduled Tribes (ST) persons. However only nine *per cent* of the total applicants who were sanctioned loans under this scheme belonged to SC|ST.

Percentage of the persons belonging to SC|ST who were sanctioned loans was 18 in Andhra Pradesh. In Assam and Maharashtra it was 18.9 and 7.3 respectively. In five districts test-checked in Punjab the percentage varied between 1.6 and 11. In Rajasthan it was 12.4 in two districts test-checked. In Haryana the representation of SC|ST was reported to be below the prescribed targets. The reasons attributed for the low percentage in Andhra Pradesh was that the SC|ST persons were not coming forward to set up their own ventures.

12.9.6 As per the provision of the scheme the Government assistance in the shape of an outright capital subsidy to the extent of 25 *per cent* of the loan contracted would be released to the banks only after disbursement of the loan. Test-check of the records of the banks, however, revealed that in a large number of cases banks had drawn subsidy from the Reserve Bank of India, for the instalments of loans which though sanctioned were not finally disbursed to the beneficiaries. This resulted in excess drawal of subsidy amounting to Rs. 556.98 lakhs. Out of which, Rs. 402.55 lakhs pertained to Maharashtra, Rs. 75.89 lakhs to Karnataka and Rs. 32.43 lakhs to Punjab. On this being pointed out in Audit, Government in 1986 required the Reserve Bank of India to recover the excess amount drawn by banks.

The Ministry stated, in March 1989, that the Department of Banking has instructed Reserve Bank of India to adhere to the provisions of the scheme regarding release of subsidy.

12.9.7 The DICs were to monitor the implementation of the scheme at district level for each sector of entrepreneurs. District Advisory Committee headed by District Collector were to review the progress reports every month for sorting out issues relating to implementation, co-ordination and monitoring. Test-check of the position in 14 States and three Union Territories revealed that the District Advisory Committees had not been activated as they had either been not meeting regularly or no meeting was held at all.

12.10 *Margin Money Scheme for revival of sick small scale industrial units*

12.10.1 According to the criteria accepted by the Government, a unit is considered as sick if it has (a) incurred cash loss in the previous accounting year and is likely to continue to incur cash loss in the current accounting year and has an erosion on account of cumulative cash losses to the extent of 50 *per cent* or more of its net worth and/or (b) continuously defaulted in meeting four consecutive quarterly instalments of interest or two half yearly instalments of principal of term loans and there are persistent irregularities in the operation of its credit limits with the bank. For rendering assistance to the sick SSI units in a co-ordinated manner a State-level co-ordination committee was set up with the Secretary, Industries Department of the State as Chairman and representative of the RBI, financing agency and others as members.

DICs being district level agencies are involved in the task of identifying sick units.

From the data compiled by the RBI given below, it was observed that the percentage of sick units to total small scale units increased from 3.2 *per cent* in December 1979 to 7.8 *per cent* in June 1987 as indicated below

At the end of	No. of SSI borrowing accounts units	No. of sick small scale industrial units	Percentage of sick units to total (Col. 3 to 2)
1	2	3	4
1979	6,55,000	20,840	3.2
1980	7,74,000	23,256	3.0
1981	9,36,000	25,342	2.7
1982	10,50,000	58,551	5.6
1983	12,08,000	78,351	6.5
1984	14,54,628	93,284	6.4
1985	16,42,000	1,17,783	7.2
June 1986	18,13,000	1,28,687	7.1
December 1986	18,77,000	1,45,776	7.8
June 1987	20,41,000	1,58,226	7.8

According to RBI the number of sick units out of the units borrowing from commercial banks was 1,58,226 as in June 1987. However, as per the records of the Development Commissioner, Small Scale Industries, the sick units identified and reported by DICs upto March 1986 were 18,148 which forms only 11 *per cent* of the total sick units reported by RBI upto June 1987.

The Ministry stated, in March 1989, that the difference in the reported figure of sick units could be due to RBI reckoning purely business and trading units and exclusion of units in the metropolitan cities by the District Industries Centres.

The margin money scheme for revival of sick units was sanctioned in January 1982. Under this scheme, assistance ranging from Rs. 1,000 to Rs. 20,000 was to be given by State Government through financial institutions to sick small scale units registered as small scale units in the preceding seven years. The margin money assistance was to be dovetailed as part of the total package of assistance to the sick units. The central loan assistance was limited to 50 *per cent* of the total margin money loan sanctioned by the State Governments. Against the plan provision of Rs. 2000 lakhs for the Sixth Plan period releases during 1983-84 and 1984-85 were Rs. 61 lakhs and Rs. 52.90 lakhs respectively. In 1985-86 the amount of loan released was Rs. 5 lakhs only against the budget provision of Rs. 75 lakhs. In 1986-87 no loan was released, only a nominal budget provision of Rs. 1 lakh was sanctioned. In 1987-88, Rs. 28.50 lakhs was released against the budget provision of Rs. 30 lakhs.

Due to certain shortcomings pointed out by State Governments the scheme was revised with effect from June 1987 with enhanced margin money loan. The provision and the expenditure on the scheme declined over the years reducing to nil expenditure in 1986-87 while the number of sick units was on the increase. The DICs were reported to have assisted 10,947 units from 1983-84 to 1986-87. No information was available in the records of DCSSI regarding the actual number of units which could be revived. The scheme did not succeed in tackling the problem of revival of sick units of small scale sector.

12.10.2 As per records of DCSSI, this scheme was not popular amongst the States because many State Governments had their own margin money scheme for rehabilitation of sick units under which, the State Governments were giving margin money and other assistance on more liberal terms. Test-check of the records in some States revealed that the implementation of the scheme suffered mainly from the following shortcomings :

(i) Non-finalisation/adoption of rules of the scheme till December 1984 in Himachal pradesh and till January 1989 in Madhya Pradesh.

(ii) Delay in sanctioning of scheme by Maharashtra for implementation (scheme was sanctioned during 1985-86). Gujarat had introduced the scheme in March 1985 but no expenditure was incurred during 1985-86 and 1986-87. In Andhra Pradesh only one case was sanctioned loan upto 1985-86.

Out of Rs. 100 lakhs released by Uttar Pradesh under the scheme to Uttar Pradesh Financial Corporation during 1982-83 and 1983-84, Rs. 89.42 lakhs (89.4 *per cent* remained unutilised and was refunded in March 1986. Non-utilisation was attributed by Director of Industries to higher rate of interest and inadequacy of maximum limit of margin money i.e. Rs. 0.20 lakh. Out of Rs. 49 lakhs released by Orissa Government to Small Scale Industries Corporation for disbursement to sick units during 1982-83 to 1985-86 a sum of Rs. 39.64 lakhs (81 *per cent*) remained unutilised till December 1988. However, no funds were released during 1986-87 and 1987-88.

12.10.3 As per the scheme, the Directors of Industries were required to send a six monthly report to DCSSI regarding the utilisation of funds by units concerned on the basis of reports received by them from the assisted units. It was observed that neither any performance reports nor any utilisation certificates of loans was received in DCSSI. The Department stated in September 1986 that a suitable mechanism for monitoring the implementation of the scheme and reviewing the results achieved was yet to be established. The Department further stated (November 1988) that the State Governments/Union Territory Administrations had been requested to adopt adequate monitoring mechanism.

According to reports received by DCSSI from a number of State Governments. the State Level Inter Institutional Committees (SLIICs) did not meet regularly. It was also reported that the SLIICs were not very effective in bringing about a right degree of coordination as their recommendations were not binding on the parties.

In pursuance of the recommendations of the Public Accounts Committee in its 40th Report (1985-86) Eighth Lok Sabha, a Standing Committee on industrial sickness was constitued under the chairmanship of DCSSI. The department stated in November 1988 that the recommendations of the Committee had been referred to the concerned agencies/ departments namely RBI and the Ministry of Finance for necessary follow-up action.

12.11 *Collection of statistics*

12.11.1 Reliable and comprehensive data in respect of output, employment, investment etc. in the small scale sector was for the first time compiled by SIDO in 1973-74 with reference to the year 1972, when it undertook census of small scale industrial units registered with the Direcorate of Industries and falling under the purview of SIDO. Having regard to the importance of reliable data base for formulation of policy for development of small scale industries on a continuous upgrading, a scheme was drawn by the DCSSI which envisaged, a census-cum-sample survey of the units registered with the State Directorate of Industries upto 31st March 1981 with reference to the year 1982-83 on 20 *per cent* sample basis. The scheme aimed at ensuring uninterrupted flow of data from year to year even after the initial round of detailed data collection. This was to be achieved by updating the frame every year and augmenting the sample to include new registration and collecting comprehensive data from all the units in the sample.

The survey was to be conducted in two rounds. In the first round, information was to be collected with 1982-83 as base year. The field work of the second round was to be done with 1984-85 as reference year. The State Directorate of Industries were to compile and update the frame information to be used for selecting the sample units. Besides sample check, the SISIs attended to the work relating to scrutiny and coding of the data to be processed on computer. During the period 1980-81 to 1987-88, a total outlay of Rs. 622 lakhs was provided for the scheme, against which an expenditure of Rs. 521.05 lakhs was incurred.

The Ministry stated, in March 1989, that shortage in utilisation of funds was due to the reason that in most of the States/Union Territories, staff for field work could not be appointed.

12.11.2 The target date for completion of first and second round had not been set. However, the field work of the first round of sample survey was stated to have been completed in most of the States/Union Territories. It was stated in July 1987 that the work of coding of the frame information and its processing and completion of summary schedule was expected to be completed by the end of 1987. The progress report of the first phase of second round of sample survey revealed that out of 31 States/Union Territories progress reports were not received (July 1987) from 11 States/Union Territories. The Department stated (July 1987) that the reasons for delay of first round were that there was no independent computer installed in that office and for processing of the data they had to hire the services of different computer agencies as and when available. It was further stated in October 1988 that the data of summary schedules had been processed on computer through National Information Centre, New Delhi and a preliminary report on sample survey of small scale industrial units had been prepared by SIDO. The work relating to processing of detailed schedules which had been expected to be completed by the end of 1987 was not completed. As regards the first phase of the second round of sample survey, the field work had since been completed and the schedules were under scrutiny by the SISIs.

The Ministry stated, in March 1989, that samples for the second phase of the second round in respect of the States/Union Territories except three States had also been drawn and sent to the States/Union Territories for undertaking the field work.

Progress of the first round revealed that only 13 *per cent* of the total samples i.e. 20 *per cent* allotted for coverage under the scheme could be covered under the census.

During the first round, information could be collected only from 54 *per cent* of the units selected in 20 *per cent* sample. The remaining units were found to be either closed, untraceable or non-responding.

12.12 *Field units under SIDO*

A number of field units under Small Industries Development Organisation have been established to render assistance in the form of promotion, technical advice, consultancy, marketing development and other disciplines. These consisted of 27 Small Industries Service Institutes, 31 branch institutes, 37 extension centres, four regional testing centres, three product-cum-process development centres (PPDCs) and four production centres, at the end of 1987-88. At the end of Sixth Five Year Plan there were 26 SISIs, 20 branch institutes, 40 extension centres, four regional testing centres, one PPDC and four production centres.

12.12.1 *Activities of SISIs*

The Small Industries Service Institutes are to provide guidance, training and management consultancy services in the technical field to the small scale industries and provide common workshop facilities. Branch institutes and extension centres which were under the over-all control of SISIs are intended for adequate coverage of the region or State.

Though project reports/profiles were reported to have been prepared during 1980-81 to 1986-87 in eight SISIs (Bombay, Calcutta, Hyderabad, Indore, Nagpur, Patna, Ranchi and Trichur) test-checked, no follow up action was taken to ascertain the utilisation of the services by the small scale industrial units. While in three cases (Bombay, Nagpur and Trichur) targets were fixed, in other five cases no targets had been fixed.

Test-check of four SISIs (Bombay, Indore, Karnal and Trichur) revealed that receipts on account of common facility services were either static or on the decline during 1980-81 to 1986-87 indicating that common facility services were not expanding.

The Ministry stated, in March 1989, that with the passage of time and the small scale industrial units installing machines in their units, utilisation of the machines installed in Small Industries Service Institutes decreased gradually. Therefore, Small Industries Development Organisation was reviewing the utility of such machines installed in their workshops constantly and disposing of obsolete and surplus machines periodically.

Analysis of the technical consultancy services provided by one SISI, in Madhya Pradesh revealed that 46 *per cent* of the services were provided during 1984—88 to the units in the headquarters (Indore) of the Institute. 13 *per cent* services were provided in 26 backward districts of the State. While no service was rendered to the nine industrially most backward districts during 1984—87, in 1987-88 only 27 services were provided to the units in six out of nine districts.

Another activity entrusted to the SISIs was the implementation of the programme of the modernisation of selected small scale industries which was initiated by the Government of India in 1975-76 for introducing modern technology and improving methods of working amongst small scale units. The main activities under this prgramme were identification of input needs of small scale industrial units, preparation of modernisation guides and bulletins, organisation of workshops, seminars and conducting inplant studies of units for their improvement.

The units opting for modernisation have to get themselves registered with SIDO on payment of Rs. 750, units located in backward areas get 50 *per cent* concession in the registration fee. On registering the units, studies were to be conducted to assess the modernisation needs of individual units by SISIs and or the consultants appointed by them. The units were then assisted to implement the recommendations made by the experts. For the above activities plan outlay of Rs. 40.00 lakhs was made during the Sixth Plan, out of which Rs. 25.39 lakhs were spent during that period. During the first three years of the Seventh plan Rs. 21.87 lakhs were spent.

Only 694 units had been registered under the programme upto March 1988 which showed that the number of units covered by this programme was insignificant. The Department stated in September 1986 that only a few units were registered due to budgetary constraints. This contention of the department was not convincing as there was a shortfall in utilisation of funds to the extent of Rs. 14.61 lakhs (36 *per cent*) in Sixth Plan and Rs. 7.13 lakhs (25 *per cent*) in the first three years of Seventh Plan. The Department further stated in July 1987 that low registration was due to strict criteria followed for the registration of units.

Test-check of the records of SISIs regarding implementation of the modernisation programme revealed the following :

- In plant studies for improvement and modernisation was conducted by branch SISI, Jammu in respect of only two units in 1980 and 1984 but the reports had not been approved so far (May 1987);
- SISI, Calcutta stated that there was no effective monitoring of the programme due to shortage of staff and it suffered from the lacuna of not extending concrete form of assistance.
- SISI, Madras stated that though 70 out of 80,000 small scale industrial units in the State were registered with the institute, only 19 of them had actually modernised their units.
- No follow up action was taken by SISI Agra, Ahemadabad, Jaipur, Kanpur, Ludhiana and Trichur to watch the implementation of the recommendations made by the experts in regard to improvement and modernisation of the units.
- The programme implemented by SISI, Ludhiana could not create much impact as

a similar scheme with better norms was being implemented by the State Government.

— Paucity of staff was quoted as one of the reasons for poor implementation and monitoring of the programme by SISIs Calcutta, Hyderabad and Srinagar.

The Ministry stated, in March 1989, that due to lack of staff it had not been possible for SISIs to carry out the follow up action in all the cases.

According to the report of the Review Committee, set up in 1986 by SIDO, the training programme of the staff working for modernisation was not given any priority. Incentives, requisites and machinery needed for implementing the programme, were only contemplated but no concrete steps were taken at the national or state level to make it workable. It recommended some incentives like investment subsidy of 25 *per cent* on additional cost of machinery and equipment and reimbursement of the expenditure incurred on licence fee and other charges for obtaining ISI mark on the products for improving their quality. The recommendations of the Review Committee of 1986 were not implemented as the Government had set up another Committee for Technology upgradation and after discussion of its recommendations it was decided to set up a technology development cell and the setting up of the same was under consideration by the Development Commissioner, Small Scale Industries (March 1989).

SIDO established 16 sub-contracting exchanges in major SISIs in early 1970. The main objective of the programme was to enrol small scale units which could undertake sub-contracting jobs for large scale industries.

A test-check of the scheme in audit revealed that there was a shortfall in the achievement of targets for registration of new units with the sub-contracting exchange ranging from 10 to 31 *per cent* during 1981-82 to 1986-87. During this period 8,578 units had been registered. The Department stated (July 1987) that the major constraints were that no separate staff had been sanctioned and the lack of transport facilities for staff. In fact targets of registration of small scale units with exchanges were considered good if the SISIs could achieve 50 to 60 *per cent* of the target.

The achievement could have been 100 *per cent* or even more if sub-contracting exchanges were suitably staffed and were allowed to have separate transport facilities for better mobility.

Against an allocation of Rs. 48 lakhs for setting up sub-contracting exchanges in SISIs and promotional activities like workshops of selected industries, seminars etc. a sum of Rs. 26.54 lakhs were spent on the scheme during 1980-81 to 1987-88.

12.12.2. *Product-cum-Process Development Centres*

For achieving technological up-gradation and modernisation of industries in small scale sector, three PPDCs at Agra (for foundry and forging units), Meerut (for sports goods and leisure time equipments) and Ranchi (for creamic and glass industries) were established.

The project report of PPDC, Agra envisages 120.00 lakhs as contribution of Government of India and US $ 5.80 lakhs as United Nations Development Programme (UNDP) contribution. During July 1985 to June 1987, a sum of Rs. 39.57 lakhs was allotted against which the expenditures incurred by the Government of India and UNDP were Rs. 26.62 lakhs and Rs. 17.05 lakhs respectively. The project was to be completed by December 1985 but it was still incomplete (November 1988) and not fully operational due to the following reasons.

(i) Construction of administrative block was incomplete due to lack of funds.

(ii) Some of the machines which had been received and installed could not be put to use due to lack of regular power connection.

(iii) Some major imported equipments were yet to be received.

A report submitted by the Director PPDC, Agra in May 1986 to the Development Commissioner, Small Scale Industries, on the absence of basic facilities at the centre also pointed out the following shortcomings in the scheme :—

(a) Basic equipment needed to help the entrepreneurs and also to demonstrate the testing of raw materials were missing in the action plan.

(b) The area of the foundry shop was too small to accommodate the present and future activities of the centre.

(c) There was no provision in the project document about the future economics of this centre.

DCSSI attributed in July 1987 the delay in establishment of the centre to the delay in providing land and building by Uttar Pradesh Government and some administrative and technical problems.

The Ministry stated, in March 1989, that as regards deficiencies in machinery and equipment, the project report had been revised and the UNDP had agreed to provide additional funds for obtaining up-graded version of the equipment.

According to the project report of PPDC, Meerut, dates for completion of various activities were between June 1984 and December 1985. Out of 20 activities, partial action on three activities had been undertaken up to November 1988 viz., though construction of the building was completed in June 1986, a lot of repairs were yet to be carried out, staff could be inducted in the centre to the extent of 22 *per cent* only and equipment worth US $92,875 and DM 25,425 were received up to 1987-88.

The project report envisaged Rs. 90 lakhs as contribution of Government of India out of which Rs. 19.65 lakhs was incurred upto 1987-88. SIDO attributed (July 1987), delay in achieving physical and financial targets to the late release of grants-in-aid and law and order situation in Meerut.

The PPDC, Ranchi was started in 1976. Since the expected foreign assistance from the Government of United Kingdom did not become available, the institution remained dormant. The project was revised in February 1984. The expenditure on the centre from 1984-85 to 1987-88 was Rs. 15.80 lakhs against the allotment of Rs. 36.23 lakhs.

The expenditure of Rs. 14.46 lakhs from 1976-77 to 1983-84 incurred on the earlier scheme did not yield the desired results as the institution remained largely non-functional and staff deployed were engaged in preparing technical papers.

The revised scheme was approved in 1984. Refractory Testing-cum-Development laboratory for testing raw material and finished products was set up in May 1986. The chemical testing laboratory started functioning in 1986-87 but the physical laboratory is still non-operational (December 1988). It was stated that this was due to non-installation of machines and delay in getting electric connection. As per the evaluation report prepared by SIDO in 1986 no effective research and development work and testing jobs could be undertaken as envisaged in the scheme due to non setting up of the laboratories.

12.13 *Monitoring and Evaluation*

The establishment of a Monitoring and Evaluation Cell in the office of the Development Commissioner, Small Scale Industries, for undertaking regular quality assessment of the schemes and programmes and also for monitoring their implementation was recommended by the Working Group on small scale industries for Sixth Plan and approved by the Planning Commission. However, it had not been taken up for implementation even after a lapse of five years (March 1989).

CHAPTER III

Ministry of Surface Transport

13. National Highways

13.1 *Introduction*

The first road development plan, the Nagpur Plan, formulated in 1943, identified five types of Roads—'National Highways', 'State Highways', 'Major District Roads', 'Other District Roads' and 'Village Roads,' and recommended that while National Highways (NH) should be the sole responsibility of the Central Government, all other roads should fall within the purview of the State Governments.

Under Section 2(2) of National Highways Act, 1956, the Central Government may, by notification in the official gazette, declare any other highway to be a National Highway. According to the criteria presently followed for declaring NH, roads connecting the length and breadh of the country of adjacent countries, state capitals, major ports and important industrial or tourist centres or meeting strategic requirements, or those carrying high density of traffic over an adequate length, or those which will enable sizable reduction in travel distance and achievement of substantial economies thereby qualify for being taken up as NH.

The Road Development Plan for India (1961—81) commonly known as Bombay Plan, suggested a target of 32,000 miles (51,200 Kms.) of National Highways. However, the road length declared as National Highways by March 1981 was only 31,358 Kms. Even at the end of April 1987 the total length of National Highways was only 32,138 Kms. The reasons for slow progress were stated to be financial constraints.

The concept of Expressway was conceived in the Bombay Plan. Expressways as envisaged should be a part of highways, (national or state) fit for all weather use and should have at least four lane modern type surface with controlled access and grade separation at all road and rail crossings.

The Bombay Plan (1961—81) envisaged 1,000 miles (about 1600 Kms.) of Expressways by 1981. Against this, only one Expressway of 93 Kms. from Ahmedabad to Vadodra is presently under construction. Another Expressway of 65 Kms. (Calcutta Palsit-Durgapur) is also to be developed. Non-achievement of targets has been largely attributed to paucity of funds.

13.2 *Scope of Audit.*

A review on Road Development in the Fourth Plan was included in the Supplementary Audit Report of the Comptroller and Auditor General of India for the year 1973-74. The present review covers the position regarding development of National Highways till March 1987.

The Review is based on the scrutiny of records of the Roads Wing of the Ministry of Surface Transport, as well as the divisions executing the National Highway works in the States and Union Territories.

13.3 *Organisational set up*

13.3.1 The Roads Wing of the Ministry headed by the Director General has the overall responsibility for formulation of national policies relating to road planning and development. It also has the responsibility for provision of funds for outlays on National Highways and the implementation of plans relating to National Highways. Regional Offices have been set up by the Roads Wing with a view to assisting the State Public Works Departments (PWD) in the execution of original and maintenance works on National Highways.

13.3.2 Under Section 5 of the National Highways Act, 1956, the States have been assigned the function of executive agencies for National Highways within their territories. The execution of field activities including survey, investigation and preparation of projects is carried out by the respective State Governments with the Cenral Government retaining the activities for planning, approval of design and estimates, monitoring, standardisation etc. The State Governments have been delegated powers to issue technical approval and financial sanction for works costing upto Rs. 25 lakhs (raised from Rs. 10 lakhs in August 1986) with the prior administrative approval of the Central Government. The State Governments are competent to call for and accept tenders. However, if the cost of work exceeds the sanctioned estimate by 15 *per cent* or Rs. 100 lakhs whichever is less, approval of the Roads Wing to the revised estimate is essential. Technical approval is issued by the Roads Wing for maintenance works irrespective of cost.

The State PWDs are entitled to an agency charge at nine *per cent* (raised from 7-1/2 *per cent* from

October 1975) of the cost of works. In addition, they are also allowed a charge at one *per cent* of the cost of work for survey and investigation and one *per cent* for quality control. For work-charged establishment they are further entitled to claim at the rates between one and two *per cent* depending on the cost of work.

The Roads Wing stated in May 1988 that for securing direct control of the Centre in all activities of development and maintenance of National Highways a proposal for setting up a National Highway Authority has been approved in principle. The Ministry stated, in March 1989, that the National Highways Authority envisaged under the National Highways Authority Act was expected to be set up shortly.

13.4 *Highlights*

— The Road Development Plan (1961—81) for India suggested a target of 51,200 Kms. of National Highways and 1,600 Kms. of Expressways to be achieved by 1981. The achievement thereagainst upto April 1987 was 32,138 Kms. and 93 Kms. respectively.

— The Roads Wing of the Ministry of Surface Transport has the overall responsibility for formulation of policies and making provision of funds for the development and maintenance of National Highways. However, the Roads Wing has not been able to exercise effective financial control, in as much as works were taken up by the State Governments without approval of the Roads Wing; expenditure was incurred beyond the permissible limit over sanctioned estimates without approval of the Roads Wing in a number of cases and the reimbursement of expenditure by the Central Government exceeded the budgetary allotment.

— An amount of Rs. 90.75 lakhs though not actually spent on National Highway works was wrongly debited to these works in five states and two Union Territories.

— Due to slow progress of works financed by the World Bank, an extra lability on account of commitment charges to the tune of Rs. 101.55 lakhs upto June 1988 had to be borne by the Government.

— The plan outlay envisaged distribution over four specific categories of works *viz.*, spill over works, new works, strengthening the weak major arterial roads and new additions to the National Highway system. However, in the absence of a monitoring system to watch physical and finacial progress on these categories, the Ministry had no means of ascertaining that the expenditure proceeded in accordance with the pattern indicated in the plan outlay.

— Adequate funds required as per standards norms were not provided for maintenance. The percentage of shortfall went up from 7.78 (1970—75) to 44.16 (1987-88).

— Faculty planning/design, inadequate survey and investigations, delay in land acquisition/award of work and change in scope of works during execution resulted in time/cost over-run as a result of which substantial investments remained idle for considerable periods besides delay in development of infrastructure.

— A test check of the records of National Highway Division in the States revealed cases of idle investment of Rs. 663.95 lakhs in six States and infructuous/avoidable expenditure of Rs. 81.49 lakhs in the five States.

— Quality control arrangeemnts in the States of Arunachal Pradesh, Manipur and Meghalaya were inadequate. Quality control facilities were found inadequate in Kerala. Cases of sub-standard work having been executed entailing additional expenditure of Rs. 131.12 lakhs for rectification were noticed in five States.

— Specialised road and bridge building machinery worth Rs. 29.46 crores was acquired by the Roads Wings out of Central fund, for speedy qualitative execution of National Highway works. It was noticed that many of them were either lying in an unserviceable condition or had been declared beyond economical repairs. Cases of under-utilisation of Central machinery were also noticed in Audit.

— Delay in levy of fee on permanent bridges costing more than Rs. 25 lakhs resulted in postponement of collection of revenue to the extent of Rs. 543 lakhs in five States.

— In six States, amounts totalling Rs. 443.28 lakhs remained unrecovered from contractors/agencies for long periods.

— The monitoring of works by the Roads Wing of the Ministry was not effective. Arrangements for monitoring of National Highway works in the States were also inadequate.

13.5 *Financial Outlay*

The Sixth Five Year Plan and Seventh Five Year Plan envisaged an outlay of Rs. 660 crores and Rs. 891.75 crores (increased to about Rs. 1540 crores) respectively for development of National Highways. During the Sixth Five Year Plan and first two years of the Seventh Five Year Plan an amount of Rs. 1159.68 crores was spent on original works and Rs. 509.98 crores (non-plan) on maintenance and repairs.

The yearwise details of budget provision, actual allotment to States/Union Territories, expenditure reported by them and actual reimbursement made to them by the Central Government are given below :

Original Works

(Rs. in lakhs)

Year	Budget provision as per Revised Estimates	Allotment	Expenditure reported by States	Actual reimburse-ment
1980-81	9000.00	9231.00	10013.32	8697.75
1981-82	10590.00	10944.67	12102.03	11083.27
1982-83	12480.00	12832.00	13802.89	12656.85
1983-84	12851.00	13587.00	14048.52	12877.69
1984-85	16500.00	17414.48	17081.24	16278.51
1985-86	20400.00	21427.84	21385.05	18258.46
1986-87	26610.00	27627.84	27534.54	26060.98
Total	108431.00	113064.83	115967.59	105913.51

Maintenance Works

(Rs. in lakhs)

1980-81	3700.00	3774.95	4318.81	4084.01
1981-82	4700.00	4700.00	5554.62	4773.56
1982-83	5100.00	5100.00	5907.23	5647.14
1983-84	6100.00	6100.00	7022.16	6876.60
1984-85	7500.00	7500.00	8150.88	8026.47
1985-86	9000.00	9000.00	9619.46	8757.42
1986-87	9425.00	9396.69	10424.63	10445.83
TOTAL	45525.00	45571.64	50997.79	48611.03

The actual reimbursement to the States exceeded the budget provision for maintenance works during all the years except in 1985-86. In respect of original works, it exceeded the allotment during 1981-82 to 1983-84.

The Ministry stated, in March 1989, that the excess reimbursement of actual expenditure for original works was on account of bridge fee payable to the States for which separate provision had been made in the budget.

13.6 *Inadequate financial control*

The Roads Wing is responsible for making provisions of funds for development and maintenance of National Highways. However, it had not been able to exercise effective financial control, in as much as several works were taken up for execution by the State Governments without approval of the Roads Wing; expenditure was incurred beyond the permissible limit over sanctioned estimates without approval of the Roads Wing in a number of cases and the reimbursement of expenditure by the Central Government exceeded the budgetary allotment.

According to instructions issued by Roads Wing in November 1979, in respect of each individual work, when 50 *per cent* of the sanctioned cost has been incurred or when 50 *per cent* of the time allotted for the completion of work has been over whichever happens to be earlier, a special review is required to be made, so as to enable the State Government/States Chief Engineer to assess the likely completion cost of the work as well as the revised time required for completing the same. This would enable them to obtain revised financial sanction of the Roads Wing.

Instances where State PWDs had incurred expenditure in excess of permissible limit in respect of original and maintenance works and had executed works without approval of Roads Wing, were noticed. Out of 167 works each costing more than Rs. 25 lakhs (original estimate), completed during April 1986 to September 1987 in 61 cases (36.53 *per cent*), the expenditure exceeded the permissible limit. Details of a few cases, noticed during test audit of National Highway divisions of State PWDs are given in Appendix-I.

A few instances of works taken up without approval of Roads Wing are given below :

(i) In Arunachal Pradesh, the work of gully cutting for change of alignment from Kms. 7.090 to 7.350 was taken up by the State PWD in June 1985 without obtaining the administrative approval of Roads Wing. The estimate for the work amounting to Rs. 18.32 lakhs was submitted for approval only in March 1987.

(ii) In Jammu and Kashmir an expenditure of Rs. 50.72 lakhs was incurred upto March 1988 on eight works on NH-1-B even though the initial approval/sanction of Roads Wing had not been accorded.

(iii) In Karnataka, for construction of a combined bye-pass on NH-4, pipes measuring 2174 metres were purchased at a cost of Rs. 27.04 lakhs between February and September 1986 before sanction was accorded for the work. The cost was initially debited to land acquisition estimate of the work. The sanction for the work was accorded in February 1987. It was found that pipes measuring 711.50 metres (cost : Rs. 8.85 lakhs) were in excess of requirements.

(iv) The work of widening and strengthening on NH-47, in Kerala was carried out in 1982 at a cost of Rs. 11.04 lakhs for which Ministry's sanction had not been obtained (April 1988).

Another work of strengthening shoulders of a carriageway on NH-47 was completed in two parts in March and September 1984 at a total cost of Rs. 5.06 lakhs by charging it to ordinary repairs without approval of Roads Wing.

(v) In Manipur, expenditure of Rs. 2.60 lakhs (Lilong bridge—Rs. 0.59 lakh and Thoubal bridge—Rs. 2.01 lakhs) was incurred on repairs of bridges on NH-39 in anticipation of Ministry's approval. Major repair esimates for Lilong bridge for Rs. 1.06 lakhs submitted to the Ministry in January 1987 were received back for modifications and were pending with the State Government. No estimate for Thoubal was prepared (May 1988).

(vi) In West Bengal, an expenditure of Rs. 7.94 lakhs was incurred upto March 1987 on two NH works, the estimates for which were not sanctioned till March 1988.

The Committee, appointed in February 1982 to study the working of the agency system for National Highways advocated for more effective financial control, the revised procedure earlier recommended by Task Force appointed by the Ministry of Finance according to which funds should flow from the Consolidated Fund of India to the Consolidated Fund of the States requiring suitable budget provision in the state budget. The recommendation which was accepted by the Ministry in 1984, could not be implemented due to the fact that the time schedule and budget calendar of the Central and State Governments being almost similar, practical difficulties were likely to arise in routing the funds in each financial year. Besides, this would also impair the flexibility of the Ministry in diverting the funds from the non-spending to needy states.

13.7 *Diversion of funds*

It was noticed during test check of the records of the divisions executing NH works that amounts totalling to Rs. 90.75 lakhs were drawn for NH works without incurring any expenditure on the works The details of these cases are mentioned below :—

(i) In Arunachal Pradesh, an expenditure of Rs. 2.42 lakhs incurred during 1985-86 on repairs and purchase of spare parts of road building machinery belonging to the State PWD was wrongly debited to NH works.

(ii) In Assam, in March 1986 and March 1987, a National Highway division debited an amount of Rs. 18.34 lakhs and Rs. 15.63 lakhs repectively to a NH work per contra credit to a deposit head. Thus, the National Highway work was charged to the extent of Rs. 33.97 lakhs without incurring expenditure on the work. During 1987-88 an amount of Rs. 15.84 lakhs representing the actual expenditure incurred on National Highway works was withdrawn from the deposit head. Thus the work remained over charged by Rs. 18.13 lakhs.

(iii) In Himachal Pradesh, entire expenditure of Rs. 4.61 lakhs incurred on the purchase of tools and plants was debited to NH works irregularly and reimbursement claimed.

(iv) In Maharashtra, an expenditure of Rs. 13.57 lakhs incurred on construction of office building, staff quarters, purchase of furniture and tools and plants by three divisions was unauthorisedly charged to NH works.

(v) In Punjab, against the requirement of 1147 tonnes of bitumen for the work of strengthening the pavement in Jallandhar—Pathankot section of NH-1-A, 2548.49 tonnes were actually booked to the work between 1980-81 and 1987-88. Of this, the cost of 709.05 tonnes was withdrawn during March 1982 to March 1985, thus over charging the NH works to the extent of Rs. 24.89 lakhs (being the cost of 692 tonnes of bitumen).

Against the requirement of 889 tonnes of bitumen, 1245 tonnes were booked between August 1982 and March 1987 to the work of strengthening of pavement of G.T. Road bye-pass at Amritsar (NH-1). The cost of 152 tonnes was withdrawn subsequently. Thus, there was an excess booking of Rs. 7.35 lakhs being the cost of 204 tonnes of bitumen.

In another case, 995.05 tonnes of bitumen was booked during September 1980 to January 1987 to the work of strengthening certain reaches of Pathankot—Amritsar Section of NH-15, against the actual requirement of 692.50 tonnes. Of this 87 tonnes were withdrawn in March 1982 and balance of 215.55 tonnes costing Rs. 7.77 lakhs was yet to be written back.

(vi) In Chandigarh, an expenditure of Rs. 1.28 lakhs wrongly debited during 1980-81 to 1986-87 to a work on NH-21, had not been written back (April 1988) though pointed out by Audit.

(vii) In Delhi, a sum of Rs. 10.73 lakhs spent on other roads was wrongly charged to the work check barrier at Badarpur border (NH-2).

13.8 *Assistance from World Bank*

An agreement was finalised with the World Bank in September 1985 for loan assistance of $ 200 million (approximately Rs. 240 crores) for financing the following six National Highways projects :

	Estimated sanctioned cost (Rs. in crores)
(1) Ahmedabad-Vadodra Expressway on NH-8 in Gujarat.	128.40 (Revised 137.20)
(2) Calcutta-Palsit section of Durgapur Expressway in West Bengal (two lane grade road).	48.60
(3) Widening to four lanes of NH-1 between Sirhind and Jalandhar in Punjab.	66.00
(4) Widening to four lanes between Murthal and Karnal in Haryana.	42.50
(5) Widening to four lanes between Km. 27 to 67 and strengthening to two lanes from Km. 67—160 on NH-45 in Tamil Nadu.	45.60
(6) Ganga Bridge at Varanasi Bye-pass at NH-2 in Uttar Pradesh.	41.60
TOTAL	372.70

The table below sets forth the categories of items to be financed out of the proceeds of loan, the allocation of the amounts of the loan to each category and the percentage of expenditure for items to be financed in each category :

Category	Amount of the loan allocated (expressed in Dollar equivalent)	Percentage of expenditure to be financed
1	2	3
(1) Civil Works	1,73,010,000	46
(2) Equipment	4,110,000	100
(3) Training and consultancy services	2,880,000	100
(4) Unallocated	20,000,000	
TOTAL	200,000,000	

According to the phased programme of progress approved by Government an expenditure of Rs. 11,273.05 lakhs was to be incurred upto March 1988 as detailed below, against which an expenditure of Rs. 6,712 lakhs only, was reported to have been incurred upto March 1988 :

Sl. No.	Name of the work	Cumulative expenditure upto March 1988 phased as per Technical Note	Actual expenditure upto March 1988
1	2	3	4
		(Rs. in lakhs)	
(1)	Ahmedabad-Vadodra Expressway on NH-8 in Gujarat.	3,660.00	3,100.00
(2)	Calcutta-Palsit Section of Durgapur Expressway in West Bengal.	1,147.05	710.00
(3)	Widening to four lanes between Sirhind and Jalandhar in Punjab.	1,800.00	1,017.00
(4)	Widening to four lanes between Murthal and Karnal in Haryana.	1,806.00	438.00
(5)	Widening to four lanes between Km. 27 and 67 and strengthening to two lanes from Km. 67 to 160 of NH-45 in Tamil Nadu.	1,600.00	1,254.00
(6)	Ganga Bridge at Varanasi Bye-pass at NH-2 Uttar Pradesh.	1,260.00	193.00
	TOTAL	11,273.05	6,712.00

Progress in expenditure upto March 1988 was only 59 *per cent* of the target.

Against the expenditure of Rs. 6712.00 lakhs reported to have been incurred upto March 1988, reimbursement obtained from the World Bank was Rs. 2375.73 lakhs only upto July 1988.

The agreement entered into between Government of India and the World Bank lays down that the borrower shall pay to the Bank a commitment charge at the rate of three-fourth of one *per cent* per annum on the principal amount of loan not withdrawn from time to time. In accordance with the Estimated Schedule of Disbursement, an amount of approximately Rs. 12,584 lakhs (Us $96.8 million) upto June 1988 was committed to be withdrawn. Since the amount withdrawn was only Rs. 2375.73 lakhs, the extra liability of Rs. 101.55 lakhs was incurred upto June 1988 on account of commitment charges which were paid by the Government of India.

13.9 *Targets and achievements*

The targets fixed for the Sixth Plan and first two years of the Seventh Plan and the achievements made there against as reported by the Roads Wing were as under :

Scheme	Target	Acheivement	Percentage of shortfall	Target upto March 1987	Achievement upto March 1987	Percentage of shortfall
1	2	3	4	5	6	7
(1) Missing links (Kms.)	196	170	13.27	15	4	73.33
(2) Major bridges (Nos.)	103	86	16.50	32	32	..
(3) Widening single lane to 2 lane with or without strengthening (Kms.)	4224	4591	..	717	711	0.84
(4) Widening to 4/6 lanes (Kms.)	130	105	19.23	36	37	..
(5) Construction of bye-passes (Nos.)	52	42	19.23	6	8	..
(6) Strengthening existing weak double lane stretches (Kms.)	2238	2288	..	1230	1650	..
(7) Construction of minor bridges (Nos.)	517	498	3.67	150	156	..
(8) Improvement to low grade section (Kms.)	37	56	..	29	26	10.34

The Sixth and Seventh Five Year Plan outlay of Rs. 660 crores and Rs. 891.75 crores respectively was divided into the following broad heads :

	VI Plan	VII Plan
		(Rs. in crores)
(a) Spill over works	250.00	260.00
(b) New works	300.00	626.75
(c) Strengthening the weak major arterial roads.	60.00	
(d) New additions to NH system	50.00	5.00
TOTAL	660.00	891.75

The Ministry stated, in March 1989, that as a result of persistent efforts, the allocation for National Highways during Seventh Plan had been increased to about Rs. 1540 crores from Rs. 891.75 crores.

Although the plan outlay envisaged specific distribution over four categories of work mentioned above, in the absence of a monitoring system to watch progress on these categories, the Ministry had no means of ascertaining that expenditure progressed in accordance with the pattern indicated in the plan outlay.

13.10 *Maintenance of National Highways*

A Technical Group headed by the Director General (Road Development) and consisting of six Chief Engineers was constituted in 1968 to formulate the financial norms for the maintenance and up-keep of National Highways. The Report of the Group classified the National Highways into three broad categories on the basis of volume of traffic passing over it and the country into four zones on the basis of cost of labour and materials and recommended the maintenance norms under three main heads :

(i) Routine repairs

(ii) Periodical renewals

(iii) Special repairs due to damage caused by natural calamities under a lumpsum provision of 12.5 *per cent* of the total maintenance provision per year.

The Ministry updates the cost of the prescribed maintenance norms under these categories every year taking into account current scale of wage rate and cost of materials separately for each of the four zones. The demand based on these norms projected by the Ministry for provision of funds for maintenance and the actual allotment of funds from 1970-71 onward was as under :

Year	Requirement projected to finance based on standard norms (Rs. in crores)	Amount provided (Rs. in crores)	Shortfall	Percentage shortfall
1	2	3	4	5
1970-71 to 1974-75	81.20	74.88	6.32	7.78
1975-76 to 1979-80	147.81	123.92	23.89	16.16
1980-81 to 1984-85	351.30	271.00	80 30	22.86
1985-86	116.82	90.00	26.82	22 96
1986-87	176.78	94.25	82.53	46.69
1987-88	178.24	99.53	78.71	44.16

The gap between requirement based on standard norms and actual allotment was considerable and has been continuing over the years. The shortfall in provision of funds on maintenance has increased from 7.78 *per cent* during 1970-71 to 1974-75 to 44.16 *per cent* in 1987-88 affecting adversely the state of maintenance of National Highways.

The Committee appointed to review the functioning of the agency system expressed (September 1983) concern over less provision of funds for the maintenance of National Highways. It observed that the maintenance of National Highways was far from satisfactory, mainly due to paucity of funds for maintenance and repairs and also due to the fact that even the available funds were not being utilised in an optimum manner on account of outmoded and inefficient practices and techniques. The Committee stated that a substantial proportion of maintenance funds (nearly 30 *per cent*) goes to meet the cost of high priority flood damage restoration works and this led to further deterioration year after year, of the position regarding maintenance of NHs.

A critical study of growing problems of the maintenance of roads was conducted by the Planning Commission and a report presented in February 1987. The study *inter alia* revealed that the lump-sum provision at 12.5 *per cent* for repair of damage caused by natural calamities like floods fixed in 1968, was found to be inadequate and the actual expenditure for flood damage was around 40—50 *per cent* of total maintenance. It was further observed that at least one Km. out of every three of our National Highways is in need of urgent attention due to cumulative neglect of the past two decades.

The Ministry stated, in March 1989, that an exercise for raising the maintenance norms formulated by the Technical Group in 1968 for National Highways was under consideration.

It is obvious that the maintenance of National Highways is bound to suffer till the norms are revised by the Ministry.

13.11 *Time/cost over-run cases*

13.11.1 In the present system of execution of National Highway projects, time and cost over-run presents a serious problem. This has led to idling of considerable investment and delayed development of infrastructural facilities.

Of 167 road and bridge works, each costing more than Rs. 25 lakhs, completed during 1986-87 and 1987-88 (upto September 1987), 45 works (27 *per cent*) involved a cost over-run of over 25 *per cent.*

The time/cost over-run is attributable to faulty planning/design, inadequate survey and investigation, delay in land acquisition, delay in award of works, preparation of unrealistic estimates, change in scope of work after award of work etc. The Regional Officers of the Ministry are to render effective help in the areas of planning, detailed site investigations, surveys, sub-soil explorations, alignments of roads and siting of bridges. They are to examine detailed estimates, designs, site conditions etc. They are also to keep necessary watch in regard to the prompt fixation of agency for execution of sanctioned works and to monitor the progress of all works. Despite these arrangements instances of time and cost over-run continue to occur. Illustrative cases involving appreciable time/cost over-run noticed during test check of the records of the Roads Wing as well as NH Divisions in the states is given in the succeeding sub-paragraphs.

13.11.2 *Improper survey and investgiation/faulty planning/design*

(i) In Bihar, construction of a high level bridge over river Poonpoon on NH-30 to connect NH-30 and 31 was sanctioned for Rs. 14.32 lakhs in August 1966 even though the alignment of NH-30 and 31 between Patna and Mokameh had not been finalised. A revised estimate for Rs. 53.51 lakhs was sanctioned in April 1980 after finalisation of realignment and the work actually commenced in June 1980. In May 1981 it was decided to increase the length of bridge by 15 metres. This entailed delay in completion of work which was finally completed in February 1988 at a cost of Rs. 134.87 lakhs. The cost over-run was Rs. 80.96 lakhs (151.30 *per cent*).

(ii) In Himachal Pradesh, the work of widening in Km. 229/410 to Km. 248 of Chandigarh-Mandi-Manali Road, (NH-21) was sanctioned at a cost of Rs. 32.95 lakhs. After commencement of the work in March 1974 it was found that half tunnelling as provided for in the original estimate was not possible due to disintegrated rock at the site which necessitated increased quantity of earth work and construction of a retaining wall. Mainly due to change in scopte of work necessitated due to inadequate initial investigation the work was completed only in March 1985 at a cost of Rs. 91.87 lakhs.

(iii) In Karnataka, the estimate for construction of a sea wall for protection of National Highway 17 from erosion in Km. 268.60 to 270 was approved (April 1980) by the Roads Wing, based on the tentative design formulated by an Experts Committee. The work was entrusted in September 1981 to a contractor at his tendered cost of Rs. 67.24 lakhs with the stipulation for completion by May 1985. The contractor who commenced the work in April 1982 could not, however, continue it due to non-finalisation of design for the section of sea wall for a length of 600 metres in the central reach. The design was finalised only in November 1982. The design for the remaining reaches which were to be finalised after observing the behaviour of the sea wall in the central reach during monsoon was finalised as late as April 1987. The work was still in progress (March 1988), though an additional expenditure of Rs. 21.61 lakhs has been incurred.

(iv) In Maharashtra, due to delay in finalisation of design and inadequate initial survey the work of construction of Kasheli bridge on diversion outside Thane and Bhiwandi towns on NH-3 scheduled for completion in January 1978 at a sanctioned cost of Rs. 170.18 lakhs was completed in January 1985 at a cost of Rs. 427 lakhs which resulted in cost overrun of Rs. 256.82 lakhs (150.91 *per cent*) and time over run of seven years.

Due to change in design, sinking of wells etc., the construction of Kalwa bridge scheduled for completion in February 1977 at a sanctioned cost of Rs. 60.84 lakhs was completed in May 1982 at a cost of Rs. 164.78 lakhs which resulted in cost over-run of Rs. 103.94 lakhs (170.84 *per cent*) and time overrun of five years.

The work of construction of Pawana Bridge on NH-4 was sanctioned for Rs. 29.20 lakhs in December 1979. The work was commenced in June 1982, without getting the design approved by the Roads Wing. During execution the deck level of the bridge was required to be raised by 2.49 metres. Due to slow progress, the work was taken up departmentally in August 1982. In November 1984, the balance work was entrusted to another contractor. It was completed at a cost of Rs. 83.79 lakhs in June 1987 involving time over-run of 3½ years and cost overrun of Rs. 54.59 lakhs (186.95 *per cent*) primarily due to taking up the work without approved design.

(v) In Uttar Pradesh, the following cases were noticed where initial incorrect design of pavement and subsequent change at a late stage resulted in considerable time over-run and cost over-run. Details are given below :

S. No.	Name of work	Sanctioned cost and date	Date of change of design	Actual cost on completion	Cost over-run	Percentage
1	2	3	4	5	6	7
(1)	Construction of Kanpur Bye-pass on NH-22 -25.	Rs. 61.41 lakhs February 197_	While in progress	Rs. 232.66 lakhs	Rs. 171.25 lakhs	278.66
(2)	Widening to two lanes and strengthening of NH-2 in Allahabad district (Km 225.78 to 260).	Rs. 45.85 lakhs March 1972	July 1975	Rs. 137.81 lakhs	Rs. 91.96 lakhs	200.56
(3)	-do- (Km. 120.85 to 146).	Rs. 44.32 lakhs June 1972	While in progress	Rs. 109.87 lakhs	Rs. 65.55 lakhs	147.90

13.11.3 *Delay in land acquisition.*— In Gujarat, land acquisition for Ahmedabad bye-pass on NH-8 was sanctioned for Rs. 8 lakhs in September 1957. Most of the land was acquired by 1971 except for a stretch of 50 metres. Though an expenditure of Rs. 69.95 lakhs was incurred upto March 1987 on land acquisition the entire land could not be taken possession of for more than 30 years and the traffic on bye-pass continued to ply on a diversion.

Similarly, against a sanction of Rs. 21.07 lakhs in July 1968, expenditure on land acquisition of Vadodara bye-pass (NH-8) was Rs. 75.99 lakhs (July 1988). Possession of 6.70 hectares of land out of the total requirement of 169.54 hectares had not been taken even after 20 years of sanction of the project.

The expenditure upto December 1987 on land acquisition for the work of "Re-alignment to improve geometric of NH-8 near Aslali Village" was Rs. 7.39 lakhs i.e. ten times of the original estimate (Rs. 0.74 lakh) sanctioned in December 1981, resulting in cost over-run of Rs. 6.65 lakhs.

Approaches to a new bridge across river Dhadhar near village Por on NH-8 sanctioned for Rs. 21.58 lakhs in January 1979 were to be completed in June 1982. The contractor for earth work had to abandon the work (June 1983) as land acquisition had not been completed. Work was subsequently completed three years later (September 1986) and the expenditure on work had risen to Rs. 36.90 lakhs.

(ii) Acquisition of land for the work of construction of aproaches to Railway over-bridge at Kuttippuram in Kerala on NH-17 was sanctioned for Rs. 15.73 lakhs in September 1980. The land was actually acquired by August 1986 only resulting in cost over-run of Rs. 74.21 lakhs.

(iii) Estimate for acquiring land for Gurdaspur bye-pass on NH-15 in Punjab was sanctioned for Rs. 23.52 lakhs in February 1980 for completion in 1981-82. The possession of land was actually taken between June 1985 and July 1986 after incurring an expenditure of Rs. 63.93 lakhs. There was a time over-run of four years and cost over-run of Rs. 40.41 lakhs (171.81 *per cent*).

(iv) In Uttar Pradesh, estimate for the work of construction of bye-pass around Kanpur, on Kanpur-Kalpi Section of NH-2 and NH-25 was sanctioned for Rs. 55.20 lakhs in February 1972 with the target date of completion as September 1975. After the start of the work in October 1972 there were problems of land acquisition in certain stretches for about two years. The progress of the work was very slow. The estimate had to be revised which was approved by the Ministry for Rs. 110.00 lakhs in September 1981 resulting in a cost over-run of Rs. 55.80 lakhs due to escalation in rates (Rs. 37.96 lakhs), variation in quantity of work (Rs. 3.43 lakhs) increase in price of bitumen (Rs. 3.91 lakhs) and increase in centage (Rs. 10.50 lakhs).

The Ministry mentioned, in March 1989, that "delays are bound to occur in land acquisition in view of the litigations and non-attachment of revenue officers to State PWDs".

However, the Ministry did not state the action proposed to be taken by them to cut down the delays in acquisition of land.

13.11.4 *Delay in award of work*

In Andhra Pradesh, an estimate for the work of construction of a bridge alongwith approaches at Km. 138/10 of Madras-Calcutta Road (NH-5) was sanctioned in May 1983 for Rs. 6.76 lakhs. Though tenders for bridge work excluding diversion road were called for in September 1982 and a contract for Rs. 6.20 lakhs was concluded in December 1983, the work of diversion road was not commenced and consequently the contractor for bridge refused to take over the site. Lowest tender of Rs. 0.77 lakh for diversion road was not accepted by the State PWD. The contract for bridge work was terminated in May 1985 and tenders were recalled in March 1987. The lowest negotiated rate of Rs. 10.73 lakhs was accepted resulting in extra expenditure of Rs. 3.76 lakhs (55.62 *per cent*) due to delay in the award of work.

(ii) In Assam, an estimate for earth work and construction of culverts was sanctioned for Rs. 76.11 lakhs in September 1985. Notice Inviting Tender was issued in October 1985. The lowest tenderer who quoted nine *per cent* above the tender cost of Rs. 65.17 lakhs backed out. Negotiations were held with the remaining tenderers and a rate of 20 *per cent* above tendered cost was agreed to. The work was, however, not awarded pending approval to the revised estimate. A revised estimate for Rs. 91.96 lakhs was approved by Roads Wing in September 1986 by which the validity period of negotiated tender had expired. On recall the work was awarded in March 1987 at 36 *per cent* above the tendered cost of Rs. 60.54 lakhs. Reckoning on the basis of difference in rates quoted over the tendered cost, the cost over-run of Rs. 9.69 lakhs was due to delay in award of work within the validity period.

(iii) In Kerala, an estimate for "forming Chalakudy bye-pass earth work and cross-drainage works" was sanctioned for Rs. 44.06 lakhs in March 1985. Tenders were invited in February 1985. The lowest offer was about 30 *per cent* above the tendered value. The firm period allowed upto 11th of May was subsequently got extended upto 11th October 1985. As no decision could be taken even upto extended date of validity offered by the firm, the tenderer backed out. Retendering was resorted to in January 1986. The lowest offer received at that time was 48 *per cent* above the tendered cost. Thus the delay in taking a decision for award of work resulted in cost over-run of Rs. 5.64 lakhs.

(iv) In Manipur, the estimate for construction of Barak bridge at Km. 255 on NH-39 was sanctioned for Rs. 27.80 lakhs in May 1979. However, the tenders were invited only in June 1982 and work awarded in May 1983. The award of work was delayed by a period of about four years. The work was targeted for completion by May 1985 but only 95 *per cent* of the work was completed by March 1988 after incurring an expenditure of Rs. 107.50 lakhs resulting in cost over-run of Rs. 79.70 lakhs. Of this, the cost over-run of Rs. 55.77 lakhs was attributable to delay in award of work. The balance cost over-run was due to increase in cost of wages/materials etc.

In case of construction of Lilong bridge on NH-39 the work was sanctioned for Rs. 24.16 lakhs in April 1979. The work was awarded only in May 1983 after a lapse of about four years. Though the target for completion was May 1985, only 64 *per cent* of the work was completed upto March 1988. The cost of work till March 1988 had exceeded the sanctioned estimate by Rs. 119.53 lakhs (495 *per cent*). Of this an amount of Rs. 50.31 lakhs was attributable to delay in award of work.

The Ministry stated in March 1989 that to avoid delay in award of works, the rules framed under the National Highways Act had been amended in 1986 stipulating, *inter alia,* that all project estimates should contain a time schedule for execution of projects, tenders on prescribed form should be invited by the authority competent to accept them, all the components in the project should be awarded to a single contractor and that the project estimate should not be split horizontally.

13.12 *Idle investment*

During test check of the records of NH Divisions in the States cases of investment involving idling of assets to the value of Rs. 663.95 lakhs came to notice in Bihar (Rs. 148.58 lakhs), Goa (Rs. 7.46 lakhs), Karnataka (Rs. 113.83 lakhs), Kerala (Rs. 27.40 lakhs), Madhya Pradesh (Rs. 21.16 lakhs) and Maharashtra (Rs. 345.52 lakhs). Brief details are given below :

(i) In Bihar, the estimates for construction of a bye-pass near Dhanbad town connecting NH-2 and NH-32 was sanctioned in March 1972, for Rs. 47.35 lakhs. A part of the alignment fell within the open cast mines of Bharat Coking Coal Ltd. who did not agree to part with the land (3.07 acres). Thus, the department failed to connect the residual length of 1.885 Km. at the tail end. An expenditure of Rs. 148.58 lakhs incurred on the bye-pass till December 1984 remained unfruitful.

(ii) In Goa, construction of a minor bridge at Km. 94/400 (Bamonguda) on NH-4 taken up in March 1986 with the target date of completion as September 1986 was actually completed in December 1987 at a cost of Rs. 7.46 lakhs. However, construction of approach roads to this bridge had not been taken up so far (July 1988) as clearance from the Forest Department for felling of trees had not been received. This has resulted in blocking of funds to the tune of Rs. 7.46 lakhs.

(iii) In Karnataka, work of the bye-pass near Bijapur town on NH-13 was completed in March 1987 at a cost of Rs. 113.83 lakhs. The construction of an over-bridge on the bye-pass was to be undertaken by the Railways for which a deposit of Rs. 29.57 lakhs was made in March 1987. The construction of the over-bridge was yet to be taken up (May 1988). Thus the expenditure of Rs. 113.83 lakhs incurred on the construction of the bye-pass remained unfruitful.

(iv) In Kerala, a bridge at Mamam at Km. 537/200 of NH-47 was completed in May 1984 at a cost of Rs. 27.40 lakhs. The approach roads were yet to be completed (April 1988). Thus, the investment of Rs. 27.40 lakhs has already remained idle for four years.

(v) In Madhya Pradesh, one bridge costing Rs. 21.16 lakhs was completed in April 1981 on NH-3. The approaches for the bridge were completed in June 1986. The expenditure of Rs. 21.16 lakhs thus remained idle for five years.

(vi) In Maharashtra, a bridge at NH-4 was completed in August 1985 at a cost of Rs. 54.10 lakhs. However, the work on the approaches on either side of the bridge had not commenced till April 1988. Due to lack of coordination in the work of project preparation for bridge and their approaches, the outlay of Rs. 54.10 lakhs has remained idle.

The work of realignment of Lower Borghat covering a total length of 9.68 Kms. (estimated cost: Rs. 223 lakhs) was commenced in 1982-83 and was to be completed in 1983-84. Works on roads passing through forest areas were stopped in February 1984 due to non-availability of forest land after incurring an expenditure of Rs. 291.42 lakhs. Commencement of works passing through forest areas without prior approval of the Forest Department rendered the expenditure of Rs. 291.42 lakhs unfruitful.

13.13 *Infructuous/avoidable expenditure*

A test check of the records of NH Divisions in the States also revealed cases of infructuous expenditure of Rs. 81.49 lakhs in Andhra Pradesh (Rs. 28.10 lakhs), Goa (Rs. 8.05 lakhs), Himachal Pradesh (Rs. 9.28 lakhs), Jammu and Kashmir (Rs. 12.28 lakhs) and Kerala (Rs. 23.78 lakhs). Brief details of the cases are given below :

(i) In Andhra Pradesh, strengthening of shoulders with unsuitable soil at NH-5 and subsequent removal thereof resulted in infructuous expenditure of Rs. 0.33 lakh. Provision of drains at a cost of Rs. 1.58 lakhs at NH-5 in the reaches where gravel shoulders were executed resulted in avoidable expenditure.

Unnecessary provision of tack coat before laying bituminous course which was immediately preceded by another bituminous course in respect of 21 works on NH-5 and NH-9 executed during 1985-86 to 1987-88 by Hyderabad, Vijayawada and Vishakhapatnam circles of State PWD resulted in avoidable expenditure of Rs. 21.81 lakhs. The State PWD stated that the tack coat was necessitated because of delays in laying second and subsequent bituminous courses.

The work of construction of Anantpur bye-pass at NH-7 was completed at a cost of Rs. 20.82 lakhs in February 1982. The same developed a number of depressions and pot holes when opened to traffic in November 1982. To make the road traffic worthy, special repairs work at a cost of Rs. 6.45 lakhs was completed in February 1985. The work of strengthening sanctioned at a cost of Rs. 40.48 lakhs in March 1985 included removal of the Bituminous Top premix carpet and seal coat laid earlier at a cost of Rs. 4.38 lakhs, under the special repairs estimate of Rs. 6.45 lakhs and as such the expenditure of Rs. 4.38 lakhs became infructuous.

(ii) In Goa, the work of widening of two lanes and reconstruction of cross drainage works and improvement of geometrics between Kms. 4.670 and 7.618 on NH-17 estimated to cost Rs. 11.30 lakhs was awarded to a contractor for Rs. 15.85 lakhs in February 1981 with the stipulation to complete the work by August 1982. The division handed over the site for the work in September 1981 without removing the existing electrical poles, water pipe lines and some structures for executing the work. The drawings for the first 500 metres of the stretch were also given to the contractor in September 1981. The work was completed by the contractor in November 1983 at a cost of Rs. 43.59 lakhs. In February 1983 the contractor put forward his extra claim for compensation which was fixed at Rs. 8.05 lakhs in March 1985 by the arbitrator on the ground that the department failed to remove the obstacles and to hand over the site within a reasonable time. Thus, there was avoidable expenditure of Rs. 8.05 lakhs.

(iii) In Himachal Pradesh, taking up of strengthening work on certain stretches on NH-21 (1987-88) soon after renewal works done on these stretches in 1987-88 rendered the expenditure of Rs. 9.28 lakhs infructuous.

(iv) In Jammu and Kashmir, for construction of a double lane prestressed cement concrete bridge over Kuligarh Nallah (Km. 84) on NH-1B an expenditure of Rs. 9.75 lakhs was incurred (Rs. 7.25 lakhs on excavation of foundations for the originally approved two lane bridge down stream of the existing bridge and Rs. 2.50 lakhs on excavation of pier foundation for simply supported single lane bridge upstream of the existing steel truss bridge). The expenditure was incurred without ascertaining the suitability of the soil strata for the bridge. Due to change in the site on account of poor foundation strata the expenditure was rendered infructuous.

Consequent on the decision to construct an 18 metre span bridge at the site of an existing bridge over Kandni Nallah at Km. 90 on NH-1B an expenditure of Rs. 2.53 lakhs was incurred for widening of approaches. As the site of bridge was later changed the expenditure became infructuous.

(v) In Kerala, the earth work on the construction of approaches to a railway over-bridge at NH-47 was completed pending finalisation of design of embankment by the Railways. On finalisation of the design some quantity of the earth work already done had to be removed, which resulted in infructuous expenditure of Rs. 10.62 lakhs.

Without adequate investigation, the work of filling the valley portion of alignment for widening and strengthening of single lane to double lane from Km. 506/600 to 508/300 of NH-47 in Kerala was got done and an expenditure of Rs. 7.34 lakhs was incurred upto March 1988, excluding the liability of Rs. 3.70 lakhs as balance for the original work. The filling began to subside and heaving occurred. A detailed sub-soil study (cost : Rs. 0.67 lakh) showed that the nature of work was not suitable to site conditions and hence the earth already filled above road level had to be cut and removed at a cost of Rs. 1.45 lakhs resulting in infructuous expenditure of Rs. 13.16 lakhs.

The Ministry stated, in March 1989, that in most of the cases infructuous/avoidable expenditure was due to change in the scope of the project. In order to minimise the chance of infructuous expenditure, provisions were made in 1986, in the rules to the effect that the executing agency should not deviate from the scope of the specifications and design of the project without prior sanction. In case of failure in this regard, expenditure on the component of the deviated work and the other components of the work affected thereby were to be debited to the executing agency which would also be responsible for rectification, at its own cost, of all defects arising out of sub-standard works.

However, the Ministry did not give their comments on the specific cases of infructuous/avoidable expenditure pointed out by Audit.

13.14 *Quality control*

In pursuance of the recommendations of the Committee on Agency System, Roads Wing prescribed in April 1984 elaborate arrangements for having an independent quality control organisation in the States/ Union Territories under a Superintending Engineer at the Headquarters and Executive Engineers at each circle with technical staff and other infrastructural facilities for conducting the prescribed tests in respect of different works on NH. The arrangements suggested included setting up a central quality control laboratory under the control of Superintending Engineer and regional laboratories under Executive Engineer. Provision at one *per cent* of the cost of the work is set apart in the estimates for meeting expenditure on quality control.

It was noticed in Audit that in Arunachal Pradesh, Manipur and Meghalaya quality control arrangements were inadequate. In Kerala also, quality control facilities were inadequate since the quality control units were not properly staffed and their activities were confined to conducting routine test; nevertheless one *per cent* of the cost of works was being claimed as charges for quality control without regard to actual expenditure.

Inadequate quality control arrangements by the National Highway Divisions in the States has led to sub-standard works. A mention of collapse of three bridges on National Highways in one to five years of their completion due to major deficiencies in the quality of the execution of the bridge works was made in Para 40 of the Report of the Comptroller and Auditor General of India (Union Government Civil) for the year ended 31st March 1987. A few more cases noticed during test check of the records of NH Divisions are detailed below :

(i) In Karnataka, a carriage way constructed on NH-13 at a cost of Rs. 30.78 lakhs, soon after it was opened to traffic heaved up at the centre and edges exposing the metal crust, following failure of the asphaltic carpet due to loss of adhesive property of ashpalt. Due to inadequate quality control an expenditure of Rs. 5.52 lakhs had to be incurred on repairs for restoration of the work.

(ii) In Madhya Pradesh, a culvert of NH-3, constructed at a cost of Rs. 1.24 lakhs completed in June 1974 got damaged by April 1987. It was reported by the Superintending Engineer in June 1987 that the damage was due to use of sub-standard concrete.

(iii) In Manipur, expenditure of Rs. 2.44 lakhs incurred on the construction of a retaining wall on NH-39 proved infructuous due to its collapse when it was 70 *per cent* complete owing to the utilisation of sub-standard materials.

(iv) In Uttar Pradesh, construction of Manorma bridge in KM-169 of NH-26 consisting three spans of 12 metres each was sanctioned at a cost of Rs. 7.49 lakhs in February 1974. The work was started by Uttar Pradesh State Bridge Corporation in 1980-81 due to delay in detailed survey and non-finalisation of tenders. The construction of bridge was completed in February 1984 at a cost of Rs. 28.80 lakhs. In January 1987, the Roads Wing pointed out that chunk of concrete of deck slab had fallen in both side spans, cracks had developed and the earth work in approach roads and approach slab had also settled. The State Government intimated in May 1988 that a high level enquiry committee was set up in 1987 whose report was awaited.

The work of construction of a minor bridge over Gujjaini Escape and Ganda Nala on NH-25 was completed in 1985-86 at a cost of Rs. 40 lakhs. When 32 *per cent* of the work was completed the increase in highest flood level was noticed and changes in design were made without prior approval of the Ministry. In March 1987, it was noticed during inspection that the earth work on approaches was settling and pitching work had not been done. The result of an enquiry for unsatisfactory execution of work and deviation in design was awaited (May 1988).

A bridge over Fatehpur branch canal on NH-2 was sanctioned for Rs. 19.44 lakhs in September 1979 but completed in March 1984 at a cost of Rs. 48 lakhs. During inspection by Chief Engineer (NH) in March 1987 it was noticed that pitching was not done on one side and there was defective execution of earth work on another side. An enquiry was ordered. The results of enquiry were awaited (May 1988).

(v) In West Bengal, for strengthening certain stretches on NH-2, the method of mix seal surfacing (Cost : Rs. 95.87 lakhs) was adopted which showed distress in the shape of cracks after one year of its completion. Decision was taken to set right the distress at a cost of Rs. 13.45 lakhs. The expenditure of Rs. 5.12 lakhs incurred on mix seal surfacing thus proved wasteful.

The Ministry stated in March 1989 that they "are trying to enforce adequate quality control measures and suitable instructions have been isused by the Central Government from time to time for exercising quality control".

The Ministry, however, did not clarify, specifically, the action proposed to be taken by them in the cases mentioned above.

13.15 *Road building machinery*

Specialised road and bridge building equipment like hot mix plants, paver finishers, motor graders, crawler, tractor etc. worth Rs. 2945.91 lakhs including imported machinery worth Rs. 644.42 lakhs was purchased upto March 1987, out of Central funds, for the execution of National Highways and other Centrally sponsored works. Of this, equipment worth Rs. 2054.55 lakhs was purchased between 1962 and 1966. The equipments were placed at the disposal of the State Governments for speedy execution ensuring quality of work.

An organisation under a Chief Engineer (Mechanical) with four Superintending Engineers posted at the regional offices was established mainly to ensure effective utilisation, upkeep and maintenance and monitor their performance.

In 1983, the Ministry recognised the need to improve the utilisation of Central machinery, as some State PWDs were allowing the use of contractors' machines despite availability of Central machinery. Instructions were issued for improving the utilisation of Central machinery to the maximum extent possible.

A test check of the records of the Public Works Department in the States revealed several cases of gross under utilisation and idling of these Central machines. There were also cases where equipment remained in unserviceable condition for long periods. Some illustrative cases are given below :

(i) In Bihar, most of the machines out of 246 machines (cost : Rs. 112.10 lakhs) had been lying idle since 1968 and all the machines were in break down condition since October 1975. 24 air compressors (cost : Rs. 10.13 lakhs) and 10 Russian motorised scrappers (cost : Rs. 21.90 lakhs) received during 1962—66 were never commissioned and put to use.

(ii) In Gujarat, out of three hot mix plants, the utilisation of one was 9 *per cent* another 32 *per cent* and for the third it was 56 *per cent* of the optimum utilisation. The utilisation of two paver finishers was 24 and 32 *per cent*. Under utilisation was mainly attributed to want of work.

(iii) In Kerala, of 31 machines, in nine cases the machines were not used at all during 1985-86 and the use of six machines in 1986-87 was below 10 *per cent*. Further a grab dredging crane which was transferred from Bihar in December 1983 for the construction of a bridge on NH-17 remained idle for 40 months at the site and was finally transferred to another site where also it has been idling since.

(iv) In Manipur, of 38 machines transferred to the State between 1975 and 1984, 17 were found defective from the initial period and since June 1987 became beyond economical repairs. Three have been sold by auction and three have been approved for auction. Of the five hot mix plants two were not commissioned and the other two remained idle for want of work.

(v) Of 143 machines allocated to Orissa as per the records of the Ministry, 17 were stated to be not available in the State, 16 and 33 were stated to be beyond economical repairs and in break down condition respectively. The utilisation of the remaining machines could not be checked in Audit as the log books were not made available.

(vi) In Punjab, five hot mix plants worked for 11528 hours against estimated 22100 hours during 1982-83 to 1987-88. Another hot mix plant was not put to use since 1983.

(vii) In Tamil Nadu, out of 138 machines available with the State as per records of the Roads Wing, utilization of 34 machines ranged from nil to 29 *per cent* during the period 1984-85 to 1987-88.

(viii) In Uttar Pradesh, the percentage utilisation of heavy earthmoving machines (cost: Rs. 65.55 lakhs) ranged between one and 48 *per cent* during 1980-81 to 1985-86. Further, machines like road rollers, trucks and tractors etc. (cost: Rs. 53.81 lakhs) were lying unserviceable since April 1980. The Chief Engineer (NH) reported in December 1983 to the Ministry that machines costing Rs. 20.62 lakhs were beyond economical repairs and sanction may be accorded for their disposal. A study team of Department of Personnel and Administrative Reforms, Government of India after a detailed study of utilisation of road construction machines pointed out in October 1984 that the low utilisation was due to lack of advance planning and programming, reluctance of State PWD to utilise the machines, unsuitability of equipments and lack of adequate facilities for repairs, storage and maintenance.

13.16 *Levy of fees on permanent bridges*

Under Section 7 of the National Highways Act, 1956 as amended by National Highways (Amendment) Act, 1977, the Central Government may, by notification in the official gazette, levy fees at such rate as may be laid down by rules made in this behalf on permanent bridges costing more than Rs. 25 lakhs each, completed and opened to traffic on or after 1st April 1976. Such fees are intended to be levied for a limited period and are to be discontinued as soon as the full capital cost of the bridge including interest thereon as also the maintenance and special repair expenditure thereon upto the date of discontinuance of the levy of fees has been recovered.

Under Rule 5(1) of National Highways (Fees for use of Permanent Bridges) Rules 1978, all such fees shall be collected by the executive agency concerned on behalf of the Government of India. The executive agency concerned shall furnish to the Pay and Accounts Officer, National Highways, Ministry of Surface Transport (Roads Wing) every quarter in first week of July, October, January and April.

(a) a consolidated statement showing month-wise the amount collected and remitted on account of fees proceeds in respect of each Permanent Bridge alongwith the details of number and date of demand draft with which this amount was remitted; and

(b) break-up of the month-wise expenditure incurred on each bridge by the executive agency required to be reimbursed on account of the collection of fees on the basis of actual expenditure.

A test check of the records of the Roads Wing and the Pay and Accounts Officer revealed that while State-wise details of fees collected and expenditure reimbursed were available, bridge wise details were not available with the Roads Wing. As a result, the Roads Wing had no means of watching whether entire capital cost of a particular bridge had been recovered for taking action for the discontinuation of the levy of fee. Further a test check in Audit of the records of NH Divisions in the States revealed that delay in levying toll fee on bridges costing more than Rs. 25 lakhs resulted in postponement of collection of revenue of Rs. 543.01 lakhs as per details given below :

(i) In Himachal Pradesh, no toll fees was being collected on Bajoara bridge on Chandigarh-Mandi road (NH-21) since July 1986 resulting in non-collection of revenue of Rs. 13.21 lakhs per annum.

No action was initiated to levy fees in respect of the bridge on Kuther Khad No. 1 (NH-22) constructed at a cost of Rs. 31.52 lakhs opened to traffic in January 1988.

(ii) In Madhya Pradesh, Nandanwara Bridge on NH-43 was opened to traffic in July 1976 but the collection of fees started only from July 1981 resulting in postponement of collection of revenue to the tune of Rs. 9.30 lakhs.

(iii) In Maharashtra, in respect of Kalwa bridge on combined diversion outside Thane and Bhiwandi town (NH-3 and 4), and Kasheli bridge on NH-37, which were opened to traffic in September 1982 and June 1985, the fee collection started from 15th June 1984 and 15th August 1987 respectively. This resulted in postponement of collection of revenue to the tune of Rs. 112.86 lakhs for five years and Rs. 14.33 lakhs for two years respectively.

(iv) In Rajasthan, the levy of toll fee has not yet started (June 1988) on a bridge at Km. 258 on NH-12, constructed at a cost of Rs. 33.51 lakhs and opened to traffic in March 1987. This has resulted in non-collection of revenue of Rs. 19.06 lakhs per annum.

(v) In Uttar Pradesh, there was a delay of about five years in the issue of notification for collection of fees in case of two major bridges. One bridge on river Ganga at Jajmau (Kanpur) on NH-25 was opened to traffic in January 1977 but the notification for toll collection was issued in January 1982. The second bridge over river Rind at Km. 464 of NH-2 was opened to traffic in April 1982 but was notified for toll collection in March 1987. This resulted in postponement of collection of revenue to the tune of Rs. 318.47 lakhs and Rs. 55.80 lakhs respectively.

13.17 *Outstanding recovery*

A test check in Audit of the records of NH Divisions in the States revealed that an amount of Rs. 443.28 lakhs was pending recovery from various contractors and other agencies. Brief details are given below :

(i) In Assam, a sum of Rs. 10.78 lakhs representing extra cost for balance work got executed at the risk and cost of the defaulting contractor and completed in March 1986 was recoverable from the contractor whose contract was rescinded in respect of construction of permanent bridge over river Lower Gabru. Besides an amount of Rs. 0.98 lakh representing excess payment and cost of materials was also recoverable.

(ii) In Karnataka, 57 contracts were rescinded after 1975. The extra cost in completing the balance works recoverable from the defaulting contractors was amounting to Rs. 316.06 lakhs of which Rs. 10.98 lakhs were recovered. The balance of Rs. 305.08 lakhs is pending recovery (May 1988).

(iii) In Kerala, in four cases in which contracts were terminated at the risk and cost of the original contractors an amount of Rs. 34.21 lakhs was pending recovery for over five years. In two other cases where contracts were similarly terminated the assessment of liability of contractors was pending for more than one year (May 1988).

(iv) In Orissa, the work of construction of high level bridge over river Baitrani on NH-6 was left incomplete by the contractor. The contract was rescinded in December 1985 and the balance work was got executed departmentally at the contractor's risk and cost. A sum of Rs. 9.72 lakhs (Rs. 7.05 lakhs on account of extra cost and Rs. 3.10 lakhs on account of departmental materials not returned by the contractor less Rs. 0.43 lakh on account of security deposit recovered) was pending recovery till May 1988.

(v) In Rajasthan, in respect of the work of construction of approaches on either side of high level bridge over river Banganga on NH-11, a sum of Rs. 14.86 lakhs (Rs. 3.06 lakhs over paid to the contractor in running bills and Rs. 11.80 lakhs on account of extra cost of balance work got executed at his risk and cost as the contract was rescinded in January 1986) was pending recovery. Action to recover the over-payment to the contractor and disciplinary action against the officials responsible has not been taken so far (June 1988).

(vi) In Uttar Pradesh, 13 cranes were loaned in 1971 to a State Government undertaking, for use on works for which hire charges had not been recovered. In February 1988, the Roads Wing decided to hand over these machines to the undertaking on sale basis at depreciated value (January 1985) claiming arrears of hire charges for the period 1971 to 1984. A sum of Rs. 39.67 lakhs (Rs. 28.05 lakhs as hire charges and Rs. 11.62 lakhs being the sale price of cranes) were recoverable from the undertaking in April 1988. The Superintending Engineer (Mechanical) of the Roads Wing at Lucknow stated in April 1988 that action for recovery was in process.

A sum of Rs. 19.44 lakhs being the share of cost of 38 metres of bridge over Hindon cut canal to be met by Ghaziabad Development Authority was awaiting recovery since March 1983.

A sum of Rs. 8.54 lakhs on account of shortage of stone boulders (supplied free of cost by the Department), noticed during 1974—76 was pending recovery from the contractors, executing the work of providing of stone boulder pitching on guide bund, on Unnao side of bridge, over river Ganga at Kanpur, on NH-25. The State PWD had ordered the recovery in September 1983.

13.18 *Other topics of interest*

13.18.1 *Excess levy of agency charges* : In Arunachal Pradesh, the State PWD claimed departmental charges at the rate of 12 *per cent* and 23.75 *per cent* of expenditure on original and maintenance works respectively against an entitlement of 9 *per cent* agency charges during the period from May 1985 to December 1986 resulting in excess reimbursement of agency charges of Rs. 7.28 lakhs (Rs. 3.91 lakhs on original works and Rs. 3.37 lakhs on maintenance works).

13.18.2 *Irregular refund of interest* : In regard to the payment of advances to State Government Undertaking, a construction agency in January 1982, the Government of India informed the State Government that they had no objection to the payment of advances subject to the condition that noramal interest was charged. In contravention of these instructions, the State Government on a request (July 1985) from the Kerala State Construction Corporation waived the recovery of interest and paid back to the Corporation (Mach 1987) the amount of Rs. 39.73 lakhs recovered as interest.

13.18.3 *Extra expenditure due to execution of works with different specifications* : In Madhya Pradesh, extra expenditure of Rs. 12.45 lakhs was incurred by four National Highway Divisions on various works in execution of works requiring pre-mixed seal coat type 'B' due to using higher specifications prescribed for liquid seal coat type 'A'.

13.18.4 *Loss of Stores* : (i) in Andhra Pradesh, 2048 drums (322.56 tonnes) of bitumen (cost : Rs. 3.81 lakhs) required for strengthening NH-9 became unfit for use due to its improper storage.

(ii) In Kerala, a case of shortage of materials and tools and plant costing Rs. 5.67 lakhs was noticed at the time of handing over charge by an Assistant Engineer at Palaghat division in June 1980. The matter which was reported to the Chief Engineer in August 1984 remains to be investigated.

In the case of another work, 133 barrels of bitumen (cost : Rs. 1.23 lakhs) issued to a contractor was reported to have not reached the site of work.

(iii) In Punjab, against the requirement of 541.02 tonnes of bitumen, 1691.94 tonnes were booked against a work on NH-1 at Amritsar. Subsequently 921.90 tonnes were withdrawn. Whereabouts of balance quantity of 229.02 tonnes of bitumen (cost : Rs. 6.49 lakhs) were not known to the Department.

(iv) In West Bengal, 5.02 lakh of bricks (cost : Rs. 1.76 lakhs) meant for Durgapur Palsit expressway were lost due to theft. Further, road metal and earth worth Rs. 23.96 lakhs was reported to have been pilfered during prolonged construction of Belgharia. Expressway.

13.18.5 *Wrong credit of revenue to State Government account* : In Goa, though the expenditure incurred on capital cost and maintenance of ferry services on Mandavi river on NH-17, was borne by the Roads Wing, yet revenue of Rs. 84.22 lakhs earned by way of levy charges for ferrying vehicles from October 1986 to June 1988 was credited to the revenue head of the State Government instead of the Central Government.

13.18.6 *Splitting of works* : The Roads Wing on the recommendation of Committee on Agency System that the splitting up of works should be discouraged as the same favoured small contractors who did not possess requisite expertise, finance or equipment to carry out the works of desired quality, issued instructions in August 1984 that the splitting of NH works should not be resorted to and if necessary should be done with the prior approval of the Roads Wing. These instructions were not followed by the States, in the cases mentioned below which were noticed during test check :

S. No.	State	Name of work	Estimated cost (Rs. in lakhs)	Parts into which split up
1	2	3	4	5
(i)	Chandigarh	Widening of NH-21 from 4 lanes to 6 lanes in Km. 4.0075 to 8.3 towards Ambala.	42.05	2
(ii)	Goa	Construction of Bye-pass to Mapusa town.	58.45	2
(iii)	Gujarat	Widening of four lanes of Ahmedabad Bye-pass (Job No. 008-GJ-85-010).	152.50	8
(iv)	Himachal Pradesh	Providing Parapet in Km. 199/775 to 217 and Km 184 to 198 of Chandigarh—Mandi-Manali Road (NH-21).	6.52	7
(v)	Meghalaya	Strengthening of hard crust from Km. 38 to 43 of NH-51.	42.78	7
(vi)	Pondicherry	Strengthening the reach from Km. 20 to 24/575 of NH-45-A.	50.35	3

13.18.7 *Extra payment not warranted* : (i) In Kerala, extra payment of Rs. 26.48 lakhs on account of conveyance charges for earth was made to a contractor for the work of construction of approaches to a bridge on NH-47. The rate for earth work as per negotiated condition of the contractor was Rs. 199.65 inclusive of conveyance charges of Rs 126.10 per 10 cubic metres for transportation from Panavally. The contractor was allowed to obtain sand by dredging from the river at site and transportation was not involved.

(ii) Further in the case of construction of bridge at NH-17 which was completed in September 1986, extra payment of Rs. 8.49 lakhs was made to a contractor treating the well formation through "Peat strata" as an extra item, though the agreement provided for sinking wells through all types of soils.

13.18.8 *Irregular payments* : (i) For the work of "Re-alignment of junction of NH-23 and NH-6 near Barkota" in Orissa in response to a tender call notice of July 1984, seven tenders were received. The State PWD rejected the three lowest tenders as the tenderers did not accept a post-tender condition of the department for completing certain items of work by June 1985. The work was awarded to fourth lowest tenderer at his negotiated tender cost of Rs. 105.82 lakhs *viz.*, Rs. 12.12 lakhs above the lowest tender, without penal clause for non-completion of these items of work by June 1985. Till June 1985 only 25 *per cent* of laying sub-base and 40 *per cent* of culvert work were completed. Thus due to stipulation of a post tender condition and non-inclusion of penal clause in the contract for ensuring its compliance for which higher rates were agreed to resulted in undue benefit to the contractor.

(ii) In Manipur, in five cases, an amount of Rs. 12.59 lakhs was paid for extra and deviated items without the sanction of competent authority.

13.19 *Monitoring*

13.19.1 *Monitoring by Centre* : Monitoring of various ongoing activities concerning road and bridge construction in both financial and physical terms is vital for identifying lacunae in execution and taking timely remedial measures. To facilitate monitoring by the Ministry, a system of submission of quarterly progress reports by the State PWDs was in vogue.

A review of the position of receipt of quarterly progress reports in respect of the ongoing works revealed that for the quarter ending December 1987 and March 1988 progress reports in respect of 94 *per cent* and 78 *per cent* respectively of the works had not been received by the prescribed dates.

The effectiveness of the system of critical review for cutting down delays in completion of works was not confirmed by the Roads Wing.

However, a test check of a computerised list of ongoing works updated till September 1987 revealed that 29 works sanctioned during June 1982 to September 1985 could not be taken up for execution.

13.19.2 *Monitoring by States* : The Committee on Agency System had *inter alia* recommended (1983) that every State should set up adequately staffed cell which should be exclusively responsible for monitoring the progress of all National Highway works and for supplying relevant information to the Ministry on a regular basis. The Roads Wing requested the States to implement the recommendations in January 1984. A review of the reports received in this respect from States revealed the following position :

(i) No monitoring was done in Assam, as the State expressed inability to take up monitoring unless the agency charge was raised from 9 to 15 *per cent*.

(ii) A separate monitoring cell was opened in Bihar from April 1985 only.

(iii) In Gujarat there was no exclusive cell for monitoring NH works. There was no system for coordination, control and watch of the progress of works from time to time.

(iv) A small cell was established in 1986 in Madhya Pradesh under an Assistant Engineer which was mainly confined to compilation of information.

(v) No separate monitoring cells were established in the States of Arunachal Pradesh, Assam, Haryana, Himachal Pradesh, Kerala, Manipur, Meghalaya, Punjab, West Bengal and the Union Territory of Chandigarh.

CHAPTER IV

Ministry of Urban Development

14. Integrated development of small and medium towns.

14.1 *Introduction*

The Centrally sponsored scheme of Integrated Development of Small and Medium Towns (hereinafter referred to as the scheme) was initiated by the Ministry of Urban Development (Ministry) in December 1979 to accelerate the growth of small and medium towns so as to enable them to act as growth and service centres for the rural hinterland. With the introduction of this scheme earlier scheme of 'Integrated Development of Metropolitan cities and Areas of National importance' in operation during the Fifth Five Year Plan was discontinued.

14.2 *Scope of Audit*

The records relating to the implementation of the scheme were test checked by Audit in the Ministry and also in the coordinating Department and implementing agencies in 25 States ad four Union Territories (UTs) with particular reference to the activities during 1980-81 to 1987-88. Important findings are set forth in the succeeding paragraphs.

14.3 *Organisational set up*

The Ministry of Urban Developmnet is responsible for approval of project reports, release of central assistance and monitoring of physical and financial progress of the scheme. The processing of the project reports received from States/UTs and monitoring was entrusted by the Ministry to the Town and Country Planning Organisation (TCPO). At the State level the work was to be coordinated by the Department of the State Government or the State level agencies like Housing Board, Slum Improvement Board etc. The State Governments were to identify the agency/agencies to prepare and implement the scheme. Setting up of effective mechinery for coordination, monitoring and evaluation of the scheme at the town and State level was also envisaged.

14.4 *Highlights*

— **The Centrally sponsored scheme with central assistance on matching basis was initiated in December 1979 by the Ministry of Urban Development. It was intensified in the Sixth Five Year Plan with an outlay of Rs. 96.00 crores with the objective of developing 231 towns which could act as growth and service centres for the rural hinterland so as to reduce the rate of migration from the rural to the urban areas. The scheme was extended to cover additional 102 towns during the Seventh Five Year Plan.**

— **Although the scope of scheme was extended in the Seventh Five Year Plan to cover towns having a population of less than three lakhs; the plan outlay of only Rs. 88.00 crores was made to cover 102 additional towns alongwith spill over works as against Sixth Plan outlay of Rs. 96 crores.**

— **The budget provision made and the actual release of central assistance fell short of the plan outlay. Against the plan outlay of Rs. 96.00 crores, only Rs. 63.57 crores were released during Sixth plan. Central assistance released during Seventh Plan period was also less than the budget provisions made during 1985—88.**

— **Against the total release of central assistance of Rs. 111.22 crores to the States during 1980-81 to 1987-88, the State Governments had provided as their share only Rs. 84.25 crores.**

— **Against the availability of Rs. 195.47 crores during the period 1980-81 to 1987-88, the implementing agencies spent Rs. 144.70 crores only. The amount remaining upspent ranged between 28 to 60 per cent, during Sixth Plan in three States while it was between 79 and 89 per cent during Seventh Plan in three States**

— **In 13 States and two Union Territories in case of 25 towns for which central assistance of Rs. 461.55 lakhs was released during the Sixth Plan, expenditure incurred upto January 1988 was less than 25 per cent. In two States, in the case of four towns (approved cost of Rs. 300.49 lakhs) for which central assistance of Rs. 60.05 lakhs was released upto 1986-87, no expenditure was incurred till January 1988.**

— **In 13 States and three Union Territories in case of 58 towns for which central assistance of Rs. 950 lakhs was released during 1985—87 no expenditure was incurred till end of January 1988.**

— **Release of central assistance to the States by the Ministry was not regulated evenly. During the year 1985—88 the amount of assistance released in March ranged between 36 and 73 per cent of the total release. In case of nine states 100 per cent central assistance was released in the month of March in some years.**

- Physical progress of development of towns was tardy. Test check in States revealed that out of 235 towns taken up during Sixth Plan period, the scheme in 25 towns only in four States had been completed by March 1988.
- Test check of the expenditure incurred vis-a-vis approved cost revealed that out of 235 towns, 68 towns had spent less than 50 per cent of the funds.
- Benefits envisaged for Economically Weaker Sections (EWS)/Low Income Group (LIG) persons were not achieved. Targets set for coverage of plots for EWS/LIG was much less than 50 and 20 per cent as envisaged in the scheme. Against the targets actual accomplishment in States, where scheme was taken up it was upto 44 per cent only.
- There was no achievement under Low Cost Sanitation Scheme (LCS) till end of Sixth Plan (March 1985). Even though projects for Rs. 1797.63 lakhs were approved and central assistance of Rs. 673.64 lakhs was released to 12 States, achievement in terms of physical progress in six states viz., Bihar, Gujarat, Kerala, Meghalaya, Mizoram and Orissa was less than 5 per cent while in Maharashtra, it ranged between 5 to 10 per cent. In four States viz., Karnataka, Punjab, Tamil Nadu and West Bengal, the achievement was between 25 to 50 per cent during the first three years of the Seventh Plan.
- Funds over Rs. 350 lakhs were diverted by immplementing agencies to works/purposes not included in the approved projects.
- Funds amounting to Rs. 240 lakhs were blocked due to works remaining incomplete for considerable time in six States/Union Territories.
- Assets over Rs. 290 lakhs remained unutilised in six States due to absence of essential facilities, bad location, delay in disposal due to lack of public response etc.
- Delay in commencement and execution of works by two or more years was noticed in six States after approval of the projects.
- In five States works were abandoned or were lying incomplete due to defective planning or paucity of funds on which expenditure of Rs. 145.43 lakhs had been incurred.
- The monitoring of the scheme at the Centre as well in the States was not effective. States did not furnish progress reports to the Ministry regularly. Out of 328 towns covered upto 1987-88, 206 towns (63 per cent) had not been inspected by the Central team even once. None of the towns was visited in six States till August 1988.
- Study undertaken by Regional Centre of Urban and Environmental Studies, Bombay in 1986 revealed certain constraints and shortcomings in the implementation of the scheme and certain recommendations to overcome them. Ministry stated that the recommendations would be kept in view while formulating the new scheme or a revised scheme for implementation during Eighth Five Year Plan.

14.5 *Coverage and objectives*

The scheme was intensified and taken up in the Sixth Five Year Plan with an outlay of Rs. 96 crores to cover development of 231 towns in the country with a population of one lakh and below as per the 1971 census, preference being given to district headquarter towns followed by sub-divisional towns, mandi towns and other important growth centres.

The scheme was continued during the Seventh Plan with an outlay of Rs. 88 crores to cover 102 towns and also for financing ongoing schemes taken up in Sixth Plan when the coverage was extended to towns with a population of less than three lakhs.

The objectives of the scheme were :

(i) to reduce the rate of migration from rural to the urban areas (especially metropolitan and large cities) ;

(ii) to locate economic activities and job opportunities in such a way as to promote even and balanced population dispersal ;

(iii) to develop small and medium towns which can act as counter magnets to the metropolitan areas and subserve rural development; and

(iv) to make special efforts to tackle the problem of slums on a more enduring basis. The scheme laid stress on the benefits being ensured to persons belonging to EWS and LIG to the extent of 50 and 20 *per cent* respectively under sites and services.

14.6 *Pattern of assistance*

Central assistance for Rs. 40 lakhs or 50 *per cent* of total cost whichever was less was to be provided on matching basis where the project cost was around Rs. 1 crore. An additional amount of Rs. 15 lakhs was also made available as central assistance for LCS works subject to certain conditions. During Seventh Plan, the pattern of assistance was revised on 50 : 50 basis enhancing the limit of central assistance to Rs. 52 lakhs. It was stipulated that in a project of Rs. 104 lakhs an amount of Rs. 12 lakhs shall be specifically earmarked compulsorily for LCS on 50 : 50 basis between Central and State Government. In addition a matching central assistance of Rs. 8 lakhs per town was also available for LCS on optional basis if the State Government contributed equal amount. The central assistance was to be in the form of soft loan to supplement and strengthen the resources of the implementing agencies and carried an interest rate of 5.5 *per cent* (1979-80) which was gradually increased to 9.25 *per cent* (1987-88) repayable in 25 years with a moratorium of five years.

The scheme comprised of following two sets of components :—

(i) Components eligible for central loan assistance on matching basis covering (a) land acquisition and development (b) traffic and transportation (c) development of mandis and markets, industrial estates, provision of other services and processing of facilities for the benefit of agricultural and rural development in the hinterland.

(ii) Components for which funds were to be found from State plans|Union Territory Plans but which must form part of the integrated scheme, the components being (a) slum improvement (b) low cost schemes of water supply, sewerage drainage and sanitation (c) preventive medical facilities| health care (d) parks and playgrounds and (e) assistance for the purpose of making modification wherever necessary to permit mixed land use.

14.7 *Financial outlay*

14.7.1 Details of outlay on central assistance in the Sixth and Seventh Five Year Plans, central assistance released, total funds available with the implementing agencies (including State's portion) and expenditure incurred there against are given below :—

(In crores of rupees)

Period	Plan outlay	Budget provision	Central assistance released to State Govts./UTs.	Central assistance released to the implementing agencies by State Govt./UTs	State funds provided	Total (Col. 4+6)	Expenditure
1	2	3	4	5	6	7	8
6th Plan	96.00	87.00	63.57	57.89	54.31	117.88	93.80
7th Plan (Upto March 1988) (1985—90)	88.00	49.50	47.65	36.54	29.94	77.59	50.90
TOTAL		136.50	111.22	94.43	84.25	195.47	144.70

At the time of introduction of the scheme in 1980-81, an outlay of Rs. 96 crores was envisaged for the period 1980—85. Against this, a budget provision for only Rs. 87 crores (91 *per cent*) was made in the central budget despite the fact that the scheme of Low Cost Sanitation (LCS) was brought under the purview of central assistance and also the limit of central assistance was enhanced during 1983-84. Against this, central assistance amounting to Rs. 63.57 crores (66 *per cent*) of total outlay was only released by the Ministry. However, against the budget provision of Rs. 49.50 crores for the year 1985-86 to 1987-88 central assistance amounting to Rs. 47.65 crores was released to end of March 1988.

14.7.2 As per 1971 census, there were 3029 towns with a population of one lakh and below, out of which 235 towns were covered in the Sixth Plan for which an outlay of Rs. 96 crores was provided. Though a policy decision to extend the coverage of towns having a population of less than three lakhs was taken, an outlay of Rs. 88 crores only was provided in the Seventh Plan for covering additional 102 towns. Thus the physical and financial targets under the scheme were reduced during the Seventh Plan though the scheme had been enlarged to cover towns with a population upto three lakhs.

14.7.3 Central assistance of Rs. 79.10 lakhs was released as initial instalment during the Sixth Plan period for projects with approved cost of Rs. 531.33 lakhs in respect of towns, one each in the States of Andhra Pradesh (Chittor), Bihar (Chapra), Haryana (Ambala), Karnataka (Karakala), Uttar Pradesh (Ghazipur) and two in Gujarat (Sanand, Dehgam), Although expenditure of Rs. 100.19 lakhs was incurred upto January 1988, no further release of central assistance was made till January 1988 which indicated that the progress of these projects was held up.

Ministry stated, in January 1989, that implementation of the projects is the responsibility of the State Governments and that progress of the project is linked to the various related issues like land acquisition etc.

14.7.4 Against the release of central assistance of Rs. 47.65 crores during 1985-88, State Governments had provided from their budget Rs. 29.94 crores (63 *per cent*) of central assistance only though the scheme envisaged funds on matching basis by Central and State Governments. The funding of the scheme by States was significantly low in the following cases :

(In lakhs of rupees)

State	Central assistance	State funding
Sixth Plan		
Madhya Pradesh	297.34	100.46
Orissa	212.50	97.71
Rajasthan	486.00	153.70
Seventh Plan (1985-86 to 1987-88)		
Bihar	309.90	67.72
Gujarat	193.98	46.30
Rajasthan	266.91	56.00

Ministry stated in January 1989 that Centre had no direct control over the release of matching contribution by the State Governments.

14.7.5 Against the total availability of Rs. 117.88 crores during the Sixth Plan period and Rs. 77.59 crores during the years 1985-86 to 1987-88, the implementing agencies had spent Rs. 93.80 crores (80 *per cent*) and Rs. 50.90 crores (66 *per cent*) only respectively leaving Rs. 24.08 crores and Rs. 26.69 crores unspent on 31st March, 1985 and 1988 respectively. States where the amount left unspent with the implementing agencies exceeded 25 *per cent* of funds made available during the Sixth and Seventh Plan are mentioned below :—

(In lakhs of rupees)

State/UT	Total funds available	Amount spent	Balance left unspent	Percentage of unspent amount
1	2	3	4	5
Sixth Plan				
Bihar	692.74	495.74	197.00	28
Himachal Pradesh	139.78	82.24	57.54	41
Karnataka	650.50	260.03	390.47	60
Seventh Plan				
Bihar	607.11	101.39	505.72	83
Manipur	102.00	11.32	90.68	89
Tripura	76.50	16 38	60.12	79

14.7.6 In 13 States and two Union Territories, in the case of 25 towns (approved cost Rs. 2058.49 lakhs) as detailed in Appendix II for which central assistance of Rs. 461.55 lakhs was released in Sixth Plan, expenditure incurred upto January 1988 was less than 25 per cent. In three towns *viz*., Chapra, Dumka, Gopalganj in Bihar (approved cost of Rs. 220.36 lakhs) and in Kailashahar town (approved cost Rs. 80.13 lakhs) in Tripura, taken up during sixth plan, for which central assistance of Rs. 60.05 lakhs was released upto 1986-87, no expenditure was incurred till January 1988.

In 13 States and three UTs in case of 58 towns (approved cost Rs. 5214.14 lakhs) as detailed in Appendix III taken up in Seventh Plan for which Central assistance of Rs. 949.76 lakhs was released during 1985-86 and 1986-87, no expenditure was incurred till the end of January 1988.

Position of towns in terms of expenditure incurred upto January 1988 *vis-a-vis* approved cost was as follows :

Percentage of expenditure	No. of towns
More than 100	25
More than 75 and upto 100	69
More than 50 and upto 75	73
More than 25 and upto 50	42
Upto 25	26

Ministry stated in January 1989 that the implementation of the scheme was dependent upon local factors for which action has to be taken by the State Governments.

14.7.7 The State Governments/Union Territories were required to release the central assistance received from Central Government preferably within one month of its receipt to the implementing agencies. It was noticed that full amount was not released by sixteen States to the implementing agencies.

Cases where shortfall was significant are given below :

Cases of short release of central assistance by States by more than 25 per cent.

(In lakhs of rupees)

State	Central assistance received	Central assistance released	Shortfall	Percentage of shortfall
1	2	3	4	5
Sixth Plan				
Bihar	332.21	244.00	88.21	27
Madhya Pradesh	297.34	202.50	94.84	32
West Bengal	525.32	365.95	159.37	30
Seventh Plan				
Andhra Pradesh	349.20	243.20	106.00	30
Bihar	309.90	81.22	228.68	74

There were also delays in releasing central assistance in States by 12 months or more as shown below:—

State	Period of release	Amount of central assistance released late (Rs. in lakhs)	Period of delay in months	Remarks
1	2	3	4	5
Andhra Pradesh	1982	37.75	21 to 25	
Haryana	1983-84	13.00	12	
	1985-86	5.00	12	
	1986-87	35.00	12	
Karnataka	—	—	Upto 49	
Kerala	March 1985 to September, 1987	47.40	Upto 17	
Madhya Pradesh	1985-86 1986-87	53.84 63.47	12 or more	
Maharashtra	—	—	Upto 35	
Tamil Nadu	1982-83 to 1987-88	159.06	Upto 60	
Uttar Pradesh	August 1984 to May 1987	89.80	Upto 19	In case of 9 Municipalities only
	1985	2.00	30	Not released till June 1988.
West Bengal	1983-84	7.00	20	
	1984-85	28.00	Upto 24	
		20.00	Upto 39	
	March 1987	10.00	15	Not released upto June 1988.

14.7.8 *Uneven release of assistance.*—The release of central assistance to the States by the Ministry was not regulated evenly. The amounts released in the month of March in four years from 1985 to 1988, constituted 36 to 73 *per cent* of the total releases made during these financil years.

The percentage of assistance released during the last month of the financial year to the States of Assam, Himachal Pradesh, Nagaland (1984-85), Assam, Haryana, Nagaland, Orissa, Punjab (1985-86), Orissa, Sikkim, Tripura (1986-87) and Himachal Pradesh, Orissa, Punjab, Rajasthan, Tripura (1987-88) was 100 *per cent* of the total central assistance released during the year.

The Ministry stated in November 1988 that State Governments approached for release of central assistance in the last quarter of the financial year. Ministry further stated in January 1989 that though the desirability of uniform flow of funds throughout the year has been impressed upon the State Governments from time to time, the pattern of absorption of fund has not changed because of the difficulties on execution of the projects.

14.7.9 *Irregular expenditure.*—A sum of Rs. 2.82 lakhs was spent on vehicles in Bihar (Rs. 1.02 lakhs) and Madhya Pradesh (Rs. 1.80 lakhs) though expenditure on vehicles was specifically excluded from the purview of the scheme. An amount of Rs. 27.45 lakhs was also spent in Bihar (Rs. 2.64 lakhs), Madhya Pradesh (Rs. 14.24 lakhs) and Uttar Pradesh (Rs. 10.57 lakhs) on purchase of road rollers, tractor trollies, diesel generator sets etc. which were outside the scope of the scheme. In Anakapalli town (Andhra Pradesh) Rs. 7.54 lakhs were spent on improvement of traffic junction without the approval of the Ministry to which it did not agree when approached (October 1986). In Bilaspur town (Madhya Pradesh), cost of 223 tonnes of asphalt (Rs. 3.24 lakhs) was charged to the scheme though it was not utilised on works related to the scheme. In Rajnandgaon (Madhya Pradesh) asphalting of roads was got done with higher norms of carpetting by mechanical process at an extra cost of Rs. 2.30 lakhs, though as per guidelines issued by the Ministry, lower norms/standards were to be adopted under the scheme.

14.7.10 *Diversion of funds.*—Over Rs. 350.00 lakhs were spent on works/purchases not included in the project reports approved by the Ministry in the following States :—

State	Amount
	(Rs. in lakhs)
Andhra Pradesh	48.14
Bihar	22.96
Gujarat	19.12
Karnataka	11.27
Madhya Pradesh	10.34
Maharashtra	11.83
Nagaland	3.13
Orissa	3.06
Punjab	52.14
Rajasthan	73.58
Tamil Nadu	27.50
Uttar Pradesh	53.94
West Bengal	21.44

Ministry stated in January 1989 that wherever diversions were noticed, the matter had been taken up with the State Governments.

14.8 *Physical targets and achievements*

14.8.1 Development project of a town under the scheme involved completion of a number of works viz. site and service (development of plots and construction of houses), markets and mandis (shops, godowns, industrial sheds), traffic and transportation (roads bus stands etc.) and low cost sanitation. The project documents provided for complete implementation of the scheme within three years. From the progress reports furnished by the States/UTs to the Ministry it could not be verified as to how many out of 235 towns taken up till end of 1984-85 and due for completion between 1983-84 and 1987-88 had been fully developed. The Ministry stated in November 1988 that most of the approved programmes had been completed in 116 towns which had availed of more than 95 *per cent* central assistance.

14.8.2 Out of 235 towns taken up in Sixth Plan, projects for 25 towns only in four States had been completed by March 1988 (Andhra Pradesh—4, Gujarat—1, Haryana—2 and Tamil Nadu—18).

14.8.3 *Low Cost Sanitation Scheme*.—There was no progress in the implementation of LCS till the end of Sixth Plan (1980—85) even though projects for Rs. 1797.63 lakhs were approved by Central Government and Central assistance of Rs. 673.64 lakhs was released to 12 States as none of the States incurred any expenditure on LCS till March, 1985. Though the States/UTs furnished periodical progress reports on the physical and financial achievement in respect of the various components including LCS, consolidated information as to the total expenditure incurred on LCS was not available with the Ministry.

A test check of the records in the States revealed that till March 1988 achievement in terms of physical progress vis-a-vis targets in Bihar, Gujarat, Kerala, Meghalaya, Mizoram and Orissa was less than five *per cent* only. In Maharashtra, the achievement ranged between 5 and 10 *per cent* while in Karnataka, Punjab, Tamil Nadu and West Bengal, the achievement ranged between 25 and 50 *per cent*. Slow progress in Kerala and Maharashtra was attributed by the department concerned to non-payment of matching assistance by States to the implementing agencies, defective planning and implementation and lack of response from municipal councils (MCs) to get assistance under the scheme as assistance under similar schemes implemented by World Bank, HUDCO etc. were available.

14.8.4 *Sites and Services*.—Against the earmarking of 50 *per cent* and 20 *per cent* of plots under residential schemes for persons belonging to EWS and LIG respectively as a policy, the targets fixed for these categories during the Sixth Plan were on the lower side in a few States. In Haryana in respect of EWS only 30 to 40% of the total number of plots were targeted, while in Gujarat and Punjab target for LIG was less than 10 *per cent*. It was 15 to 20 *per cent* in case of Assam, Maharashtra and Manipur. A test check of the records in the States revealed that there were substantial shortfall ranging between 56 and 100 *per cent* in the number of plots developed upto March 1988, against the targets fixed in Himachal Pradesh, Madhya Pradesh, Maharashtra and Punjab.

In Deogarh town in Bihar, number of plots was increased for Higher Income Group with reduction in the number of plots for EWS/LIG by 31. In six towns viz. Arakonam, Karaikudi, Karur, Mannagudi, Pollachi and Udhagamandalam of Tamil Nadu where site and services works involving expenditure of Rs. 49.61 lakhs were reported to have been completed (April 1988) plots had not been allotted as Government had not decided the policy for allotment to EWS for over two to three years (June 1988).

14.8.5 State/UT wise position revealed in test check is given below :—

Andhra Pradesh

Against 17 towns approved in Sixth Plan, schemes in four towns (Kareem Nagar, Nandyal, Proddatur and Vizianagaram) had only been completed till March 1988. There was overall achievement of 25 *per cent* under site and services, 16 *per cent* under traffic and transportation and 22 per cent under commercial complex Delay was attributed to failure to acquire adequate land. Against 1819 acres of land to be acquired, 995 acres (54 *per cent*) had only been acquired. In case of traffic and transportation 29 acres (9 *per cent*) had only been acquired against 332 acres required. Against 16691 plots to be formed 6135 plots (38 *per cent*) had only been formed.

Against 2012 shops and 179 stalls to be constructed 707 shops and 159 stalls had only been constructed.

Bihar

Out of 15 towns approved in Sixth Plan (estimated cost of Rs. 1355.28 lakhs), taken up in 1981-82 (4), 1982-83 (7) and 1983-84 (4), work in none of the towns had been completed till June 1988. Out of six towns approved in Seventh Plan, work in four towns (Baxur, Nawaadah, Purnia and Sitamarhi) had not commenced (June 1988) though Rs. 101.25 lakhs (central assistance Rs. 70.75 lakhs and State share Rs. 30.50 lakhs) had been provided to them.

Goa

In Panaji construction of market at Mala (Rs. 5.95 lakhs) and link road at Miramar (Rs. 8.50 lakhs) approved in January 1985 had not been taken up till June 1988, even though Rs. 65.50 lakhs were released for this town by March 1988. Scheme of Marmaugao town approvd in March 1987 had not been taken up till June 1988 even though Rs. 35.00 lakhs had been released during 1987-88.

Gujarat

Out of 17 towns (five taken up in each of the years 1979-80 and 1980-81, six in 1981-82 and one in 1982-83 at approved cost of Rs. 1313.73 lakhs), project in one town only was completed till March 1988. No work was done under (i) construction and widening of roads in two towns (ii) development of plots in 12 towns and (iii) construction of shops in four towns.

Himachal Pradesh

Though the implementing agency (Shimla Development Authority) was constituted in November 1978, against target of 322 bighas of land for development of Kusumpati town, 105 bighas (97 bighas in February 1984 and eight bighas in October 1986) could only be acquired till 1986. 42 bighas to be transferred by State Government could not be transferred as the Government of India did not grant permission being forest land. Achievement against development of land for commercial purpose (297 bighas) was nil. It was attributed to poor response from public. Construction of 890 residential flats estimated to cost Rs. 544.60 lakhs were taken up in February 1984 and 482 flats were planned to be completed by August 1986. But none had been completed till June 1988, though expenditure of Rs. 301.68 lakhs had been incurred.

Karnataka

In six towns taken up in Sixth Plan in case of three towns of Magadi (to be completed by 1983) and Kanakpura and Channapatna (to be completed by 1985) against target of 3148 residential and commercial sites to be formed, no site had been formed. In these towns aginst target of 453 shops to be constructed, 417 shops had been constructed till June 1988. In case of two towns (Chikkaballapur and Harihar) approved in Seventh Plan against target of 41.60 hectares of land to be acquired for development of 2190 sites, no land had been acquired (June 1988).

Madhya Pradesh

Sixteen towns (project cost Rs. 1528.05 lakhs) taken up in 1979-80 (3), 1980-81 (3), 1981-82 (5), 1982-83 (2) and 1983-84 (3) were incomplete till June 1988. In these towns out of 107 schemes, 18 schemes had only been completed though Rs. 200.94 lakhs had been spent against estimated cost of Rs. 166.31 lakhs remaining 53 schemes were in progress and 36 had not been taken up till March 1988. Though project reports for further eight towns were approved in January—October 1986, work had been taken up in one town (Amarkantak) only till March 1988. Reasons for delay were not furnished by the Department. In 42 residential schemes against 12391 plots 4703 plots had only been developed upto March 1988. Against development/construction of 1479 commercial plots, 2974 shops, 96 platforms and seven other structures envisaged in 74 commercial schemes, achievement to end of March 1988 was only 19, 22, 14 and 29 *per cent* respectively. Information in respect of 224 sheds, 52 tourist cottages and five holiday homes was not available till March 1988.

Maharashtra

Scheme was taken up in 22 towns from 1980-81 (Sixth Plan) and 10 from 1985-86 (Seventh Plan). At the end of March 1988 of 273 works approved to be taken up at a cost of Rs. 1822.53 lakhs in 13 out of 22 towns, 40 works costing Rs. 199.58 lakhs were not commenced. In case of 10 towns taken up from July 1985 (Seventh Plan) there was no development under any scheme in six towns of Chiplun, Igatpuri, Karad, Nilanga, Ramtek and Tuljapur. The department attributed the failure to take up the works due to non-receipt of possession of Government land, non-acquisition of private lands, change in layouts, delay in technical clearance etc.

Mizoram

The project for Aizwal town was sanctioned in November 1982 and was to be completed by 1985. The extent of physical progress till March 1988 under various components of project was new Market Complex—54 *per cent*, Katala market Complex—95 *per cent* and Truck terminal—80 *per cent*. Non-completion of the project within the target period was attributed to shortage of materials and technical reasons besides non-release of subsequent instalment of central assistance as State Government did not furnish timely progress report to Central Government.

Nagaland

A project for Kohima town was approved in March 1983. However, no work under site development and services estimated to cost Rs. 19.02 lakhs was taken up till March 1988.

Orissa

Out of 47 projects targeted in six towns taken up during Sixth Plan, only 30 projects were completed upto March 1988. Out of 28 projects targeted in three towns during Seventh Plan, only three had been completed (March 1988).

Sikkim

Project for Jorethang town initially estimated to cost Rs. 115.17 lakhs was takn up in 1982-83. Till 1987-88, out of eight works, only six works at a cost of Rs. 30.05 lakhs were completed. One work was not even awarded till July 1988.

Tamil Nadu

Out of 175 schemes to be executed in 28 towns selected during Sixth Plan (estimated cost Rs. 21.48 crores), 156 schemes had been completed by March 1988 at a cost of Rs. 16.13 crores against approved estimated cost of Rs. 17.40 crores, 19 schemes on which Rs. 2.32 crores had been spent against estimated cost of Rs. 4.08 crores were still incomplete (June 1988). Out of seven towns approved under the Seventh Plan for which central assistance of Rs. 4.22 crores had been released to end of March 1988, work had been started only in four towns. Out of 30 projects approved in these seven towns, work had not been commenced in 17 projects.

Uttar Pradesh

Out of 23 towns estimated to cost Rs. 2390.52 lakhs taken up during 1979—83 not a single town had been completed in respect of all components till March 1988 even though an expenditure of Rs. 1401.59 lakhs had been incurred.

West Bengal

Implementation of programmes in 20 towns selected during Sixth Plan (1980—85) remained incomplete till March 1987 due to difficulties in procurement of land, slow progress of work by contractors etc. Progress of schemes taken up in these towns was reported to be 50 *per cent* under traffic and transportation, 20 *per cent* under markets/mandis and 44 *per cent* under land development as in 1987. Information about progress of work made subsequently was not available with the department.

14.8.6 Ministry attributed in November 1988 the shortfall in progress of the scheme to the following impediments :—

(a) Delay in selecting towns and formulation of projects by State Governments and implementing agencies.

(b) Improper selection of towns which resulted in substitution of towns.

(c) Technical in-adequacy of the implementing agencies and lack of institutional arrangements.

(d) Delay in acquisition of land.

(e) Delay in releasing central assistance by State Governments to implementing agencies.

(f) Unsound financial position of most of implementing agencies.

(g) Cost escalation.

(h) Short supply of building materials.

(i) Lack of proper coordination between inter and intra-agencies at the State and local level.

14.9 *Blocking of funds*

Scrutiny of records revealed that funds over Rs. 240 lakhs remained blocked in six States (June 1988) due to delay in taking up of works, part completion of works, hold up in progress of works after initial expenditure, defective planning etc.

Andhra Pradesh

A sum of Rs. 5.01 lakhs was spent during 1984 to 1986 on purchase of material for housing scheme at Anakapalli but the housing scheme was dropped in October 1987 as the location of the site was not considered suitable for development under the scheme.

Kerala

A housing scheme to accommodate 133 families in Pothodu (Changanacherry town) taken up in November 1980 estimated to cost Rs. 41.14 lakhs on which an expenditure of Rs. 37.91 lakhs had been incurred till March 1988, was lying incomplete and could not be allotted to beneficiaries. Though land levelling had been done, laying of internal roads, drainage, water supply, street lighting etc. were yet to be done (May 1988).

Construction of 1.3 km. long approach road to vegetable market at Pothodu (Changanacherry town) estimated to cost Rs. 6 lakhs from Alleppey-Changanacherry road to vegetable market had been completed for 850 metres only (April 1984) incurring an expenditure of Rs. 7.75 lakhs leaving the work incomplete.

A project for construction of municipal bus stand at Kothaikunnu (Thodupuzha town) was approved at a cost of Rs. 45.50 lakhs. However. an expenditure of Rs. 35.22 lakhs including Rs. 34.45 lakhs on land acquisition (possession taken in January 1985) remained blocked for over three years for want of approval of estimates by the Chief Engineer (April 1988).

The acquisition and development of seven hectares of land near boat jetty at Kottayam for a residential scheme at an approved cost of Rs. 28 lakhs and included in the three projects for Kottayam town for which Rs. 34.40 lakhs was released by Government of India till March 1988 has not been implemented, pending decision by the District Collector on the question of exempting all dry lands from acquisition. Fresh project report was stated (June 1988) to have been contemplated by shifting the site to another place where municipality has sufficient land under its possession.

Mizoram

Construction of market complex at Khatla (Aizwal) taken up in December, 1984 (to be completed by June 1985) on which Rs. 14.31 lakhs had been spent, remained incomplete till July 1988, resulting in blocking of Rs. 14.31 lakhs.

Orissa

Development of 194 housing plots at Sambhu Gopal Math taken up in April 1985, on which Rs. 21.76 lakhs were spent upto April 1988 had not been handed over to the allotties (June 1988) due to non-completion of street lighting works and construction of culverts.

Out of Rs. 19.09 lakhs released in March 1982 and onwards for development of sites and services and road works at Bhadraj Khetrajpur road, Rs. 6.56 lakhs were deposited by Sambhalpur Regional Improvement Trust with the Public Works Department (PWD) in April 1984. The amount was refunded by PWD in 1987-88 as the requisite land had not been acquired. The project had not been taken up so far (June 1988) and Rs. 19.09 lakhs remained unutilised.

Punjab

Rupees 22.50 lakhs paid to Bhatinda MC in March 1984 to November 1985 were deposited with Punjab Water Supply and Sewerage Board (PWSSB) during 1985-86 for Low Cost Sanitation Scheme. It was decided in September 1987 not to implement the scheme because of rising of water level and past experience on non-recovery of loan from beneficiaries under the sanitation scheme. The amount was lying with PWSSB (June 1988).

Rupees 18 lakhs received (March 1987) by Gurdaspur MC for land development, placed in fixed deposit in a bank in June 1987 had not been utilised so far (June 1988).

Tamil Nadu

Sites and Services scheme in Tiruvan-amalai expansion of bus stand in Chengalpattu and development of market in Karaikudi for which Rs. 24.66 lakhs were deposited with the Revenue Department in October 1982, July 1985 and July 1986 respectively could not be taken up as land acquisition was held up.

14.10 *Idling of assets created*

Test check of records by Audit revealed that assets worth Rs. 293.61 lakhs created in six States as shops, residential|industrial|commercial plots, bus stands etc. remained unutilised due to lack of approach roads, improper location, delays in allotment poor response from public etc. as given below:—

Name of State/UT	Details of assets	Amount (Rs. in lakhs)	Period of creation of assets
1	2	3	4
Jammu and Kashmir	Shops	2.11	October 1985 to September 1986
Kerala	Residential land	4.65	April 1984
Maharashtra	Industrial plots Shops	20.36 17.48	1983 to 1985 1981 to 1986
Mizoram	Market complex	16.24	November 1983 to December 1985
Tripura	Bus terminal Land for construction of stadium	3.65 8.73	January 1986 1982-83
Uttar Pradesh	Shops, Plots and Slaughter houses	220.39	January 1984 to April 1987
		293.61	

14.11 *Delay in execution of projects*

Cases of abnormal delays in commencement and execution of the projects in six States were noticed as given below :

Bihar

Development of industrial land measuring 125.95 acres to be done by March 1985 at a cost of Rs. 96.89 lakhs in three towns of Chai-basa, Dumka and Hazipur, development of 28.84 acres of residential plots estimated to cost Rs. 21.70 lakhs in Dumka and market complex estimated to cost Rs. 12.50 lakhs in Sarai (Dumka) stipulated to be completed by March 1985 had not been taken up till June 1988 though adequate funds were available with the implementing agencies.

Himachal Pradesh

None of the 12 works allotted to contractors by Shimla Development Authority during 1984-85 to 1986-87 to be completed in 1985-86 (4), 1986-87 (6) and 1987-88 (2) had been completed till June 1988.

Karnataka

In three municipalities (Channapatna, Hassan and Hospet) there were delays upto 36 months in commencement of works and further delays upto 58 months in their completion which were attributed to (i) changes in design and estimates, (ii) non-availability of cement (iii) disputes with contractors etc.

Kerala

A provision of Rs. 42.78 lakhs for land acquisition (Rs. 16.84 lakhs), development (Rs. 4.44 lakhs) and construction (Rs. 21.50 lakhs) for Municipal bus stand at Nagampadam in Kottayam town was made. Although against release of first instalment of assistance in March 1980 Rs. 32.54 lakhs and Rs. 11.59 lakhs had been spent on land acquisition and on development respectively by March 1988, tenders for construction of bus stand building had not been called for (June 1988). Though detailed drawings for the work had been approved by the Chief Town Planner in January 1981 and the land was available with the municipality from 1986 onwards, the work of construction of bus stand could not be commenced. It was stated in June 1988 that an architect had been asked to prepare plan for multistoreyed building for which funds were to be borrowed from financing agency.

The work of fish market, godown and slaughter house in Thodupuzha town was approved in May 1981. The work was to commence in September 1981 and to be completed by June 1982. The expenditure of Rs. 14.78 lakhs incurred upto December 1987 remained unfruitful (June 1988) as the work of soling and metalling of fish market yard, construction of septic tank, blood tank, waste tank etc. had been awarded in April 1988, only.

Land for construction of tourist cottages (cost Rs. 16.49 lakhs) in Guruvayoor township was acquired in February 1983. Approval of layout plan was accorded by the Township Committee in September 1984 and the architectural drawings were accepted in December 1985. The work had not been started (May 1988) as technical estimates sent in February 1986 to Chief Engineer were pending for approval.

Construction of bus stand expansion (Rs. 33.80 lakhs) in Guruvayoor township approved in March 1985, had not been started (May 1988) as the design and structural drawing submitted by the architect and sent to Chief Engineer in October 1985 were yet to be approved. Till March 1988 Rs. 1.97 lakhs (including Rs. 0.72 lakh paid to architects) had only been spent.

The work of Ring Road east missing link in Trichur town on which Rs. 31.19 lakhs were spent including Rs. 29 lakhs deposited for land acquisition during April 1981 to July 1986 could not be taken up (June 1988) as the Municipality delayed the valuation of structure situated in one of the five blocks on the land. The land acquisition porceedings initiated in September 1984 for the block lapsed and were initiated again in March 1987.

The work of construction of O.V. Road diversion to new bus stand in Tellichery town was approved at a cost of Rs. 12 lakhs. A sum of Rs. 2.41 lakhs had been spent till March 1988 on construction of two culverts and formation of 67 metre long road. The work was, however, held up as the MC could not deposit Rs. 18.66 lakhs towards land acquisition charges required by land acquisition authority till July 1987 due to paucity of funds as the matching grant sanctioned in March 1987 was not released by State Government.

Maharashtra

Work of upgrading the Sahu Road from Yeshwant Udyan to tunnel in Satara estimated to cost Rs. 26.37 lakhs approved in March 1984 could not be taken up due to failure of the Municipal Council to initiate land acquisition proceedings. Hence some improvement work on developing the side paths at a cost of Rs. 14.50 lakhs was only done.

Construction of two shops in Wardha could not be taken up as the land was not in possession of MC and there was no commercial potential though an expenditure of Rs. 1.36 lakhs had been incurred (March-August 1986) on architects' fees and preparation of plans and estimates.

Orissa

The work of Talbania Road in Puri town from bus station to Chakratirtha Road taken up in December 1983 and to be completed within three months on which an expenditure of Rs. 10.38 lakhs had been incurred was lying incomplete (June 1988) due to cancellation of the contract relating to a portion of the road.

In Puri town 101 house sites developed could not be allotted in the absence of arrangements for water supply and electricity. While an amonut of Rs. 1 lakh was deposited by Puri Municipality with the Public Health Engineering Division in March 1985 for water supply, Improvement Trust had not deposited its share of Rs. 0.50 lakh for water supply and Rs. 1.13 lakhs for electricity supply.

14.12 *Incomplete/abandoned works*

In five States works were left incomplete/abandoned after incurring an expenditure of Rs. 145.43 lakhs as detailed below ·

Bihar

Improvement of Chapra-Siwan Road under beautification scheme estimated to cost Rs. 20.09 lakhs in Siwan town was left incomplete (since November 1987) after spending Rs. 8.93 lakhs due to paucity of funds. Improvement of link road between by-pass road and Masjid Chowk in Hajipur Town estimated to cost Rs. 19.22 lakhs taken up in 1982 was abandoned after spending Rs. 3.07 lakhs due to public agitation.

Karnataka

In two towns *viz.*, Channapatna and Magadi, works commenced between Jannuary 1984 and September 1987 were left incomplete since June 1985/January 1988 after incurring an expenditure of Rs. 10.33 lakhs. Works could not be completed due to contractor's refusal to execute work at agreed rates consequent upon revision of schedule of rates and belated receipt of structural design for marketing complex and demand of higher rates by contactors for balance work. The department stated in June 1988 that action would be taken to get the works completed by Karnataka Land Army Corporttion.

Maharashtra

A housing scheme in Satara town (estimated cost of Rs. 3.47 lakhs on which Rs. 2.47 lakhs had been spent upto March 1985 on construction of Katcha Road, work on development of site, water supply, drainage and street lighting had not been taken up (August 1988).

Orissa

The work of construction of 2.4 km Dakhinakali Road at Dhenkanal town estimated to cost Rs. 21.50 lakhs stipulated to be completed by August 1986 had been partially completed for one km. only (August 1987) at a cost of Rs. 7.95 lakhs. The balance work was held up due to non-receipt and approval of revised estimates for the remaining work with reduced width (June 1988).

Construction of Jagannath Road at Dhenkanal town estimated cost Rs. 6.65 lakhs commenced in October 1985 was to be completed by February 1986. The work on which an expenditure of Rs. 6.05 lakhs had been incurred, had not been completed (March 1988).

Shopping centre at bus stand and Kacheri Road at Baripada town estimated to cost Rs. 26.83 lakhs and targeted to be completed by March 1987 had not been completed though Rs. 16.07 lakhs had been spent (June 1988). Similarly, works of shopping centre near Railway Station and site and services at Janardanpur estimated to cost Rs. 36.58 lakhs also targeted to be completed by March 1987 had not been commenced (June 1988).

Punjab

In Shastri Nagar in Batala town, 49 acres of land were acquired between August 1982 and January 1985 for Rs. 48.75 lakhs. Rupees 34.27 lakhs were spent on development (April 1988). Out of 345 plots carved out, only 237 plots were allotted and only three houses had been constructed till March 1988. As against an estimated cost of Rs. 22.37 lakhs for sewerage and water supply, the Improvement Trust deposited Rs. 2.50 lakhs between February 1986 and March 1988 with Punjab Water Supply and Sewerage Board (PWSSB). Due to failure of the Trust in depositing adequate amount with PWSSB for providing the essential facilities of water supply and sewerage, the development of the area was hampered and the allottees were deprived of the intended benefits.

14.13 *Other topics of interest*

(i) In Andhra Pradesh Rs. 5.83 lakhs released by Government of India in August 1984 for Low Cost Sanitation Scheme in Anakapalli town were lying with the State Government even though the scheme was dropped in October 1986 by the State Government. The State Government had approached Government of India in October 1987 for approval to utilise the amonut on other schemes which was awaited (June 1988).

(ii) In Maharashtra, three works estimated to cost Rs. 83.50 lakhs included in the projects approved by the Central Government for Ramtek and Wardha for which central assistance of Rs. 41.86 lakhs was released could not be taken up as the sites for works|schemes were outside the municipal limits of the towns. The proposals made to Government in March 1983 to extend the municipal limits had not been approved (March 1988) by Government.

Manmad Municipal Council proposed in January 1988 to sell the land developed for 356 LIG|MIG (Middle Income Group) plots at a cost of Rs. 17.04 lakhs because there was no response to letting out the plots on 30 years' lease basis, hence plots could not be disposed of. Further, under the core housing scheme, 37 out of 104 plots developed at a cost of Rs. 10.65 lakhs (March 1988) were proposed to be sold as open plots for want of demand as essential facilities of water supply and electricity were not provided.

(iii) In Punjab, Rs. 15 lakhs deposited by Sangrur MC with Land Acquisition Officer (1984-85) remained blocked (June 1988) because the area had already been developed under another scheme approved by the Government. Responsibility had not been fixed against defaulting officials for recommending already developed area, though directed (June 1985) by the Government.

(iv) In Rajasthan, expenditure of Rs. 5.11 lakhs on construction of roads in a proposed residential scheme to develop 998 residential and 101 commercial plots near Rawanji Ka Chowk in Baran Town was rendered infructuous as the State Level Committee decided to drop the scheme (October 1987) due to heavy encroachment on the land.

14.14 *Monitoring and evaluation*

14.14.1 *Monitoring.*—Progress of the scheme was monitored in the Town and Country Planning Orgasisation (TCPO) on behalf of the Ministry. There were delays in receipt of quarterly progress reports from State/UTs. Instances noticed where delays were for more than two quarters are given below :

Not received after	Name of States/UTs
March 1986	Haryana, Manipur.
September 1986	Goa
March 1987	Himachal Pradesh, Karnataka, Tripura.
September 1987	Dadra and Nagar Haveli, Madhya Pradesh, Mizoram, Orissa, Punjab and Pondicherry.

Test check of records revealed that the progress reports were generally used only for assessing the the extent of assistance to be released.

In States effective monitoring machinery was to be set up by State Government at the town level under the District Collector and at the State level preferably under the Chief Secretary or Development Commissioner. It was, however, observed that the monitoring arrangements at the State and town levels, were inadequate and ineffective. The position in this regard is given below :—

Andhra Pradesh

The State level coordination committee with the Secretary concerned as the Chairman, met once a year only upto 1986-87 since the inception of the scheme in 1981, instead of six times a year. The Committee did not hold any meeting in 1987-88. The local level coordination committee required to meet once in a month had held 48 meetings only during the period 1980-81 to 1987-88 as against 680 meetings due.

Bihar

The State level committee met only twice in September 1981 and April 1982. Information, as to whether the town-level committees required to meet monthly had at all met, was not available.

Gujarat

The State level committee formed in April 1980 met once in each year in 1980-81, 1982-83, 1984-85, twice in 1981-82 and thrice in 1983-84. It did not meet in 1985-86 and was abolished in April 1987. The department stated that since the quarterly monitoring of the scheme was done by head of the department, it was not considered necessary to continue the state-level committee.

Haryana

Monitoring of the scheme was entrusted to Chief Coordinator Planner Haryana, Panchkula. No regular arrangement was made at state/town level to monitor the progress of the scheme. Regular meetings were not held.. Progress reports were not submitted on due dates and had not been sent after September 1987. The Chief Co-ordinator Planner informed in June 1988 that partial monitoring was being done by his office.

Himachal Pradesh

No meeting of Monitoring and Coordination Committee at State-level set up in August 1986 after five years of taking up of the scheme, had been held till June 1988. Committees at town-level were not constituted.

Karnataka

Evaluation of the scheme was not done by the State.

Madhya Pradesh

State-level committee constituted in October 1981 after two years of commencement of the scheme met only in October and December 1981. Committee at town-level had not been constituted.

Maharashtra

The State-level committee constituted in 1981 to give policy decision, review and monitor the scheme did not meet after September 1984. Similarly the town-level committees constituted in 1981 met only at intervals of one to four years.

14.14.2 *Inspection by Central team.*—Though the scheme envisaged periodical inspection of the projects by officers of the Government of India, the details of towns visited by the Central team year-wise during 1982-83 to 1987-88 revealed that coverage of towns in various States in six years was only 37 *per cent* and was not uniform in all the States as shown below :

Out of 328 towns covered upto 1987-88 206 towns (63 *per cent*) were not visited by Central team even once during the period of six years (1982-83 to 1987-88). Out of 122 towns visited 67 towns were in five States only *viz.*, Andhra Pradesh (10 out of 25), Madhya Pradesh (14 out of 24), Maharashtra (17 out of 32), Rajasthan (10 out of 16) and West Bengal (16 out of 25).

While, 24 towns were visited twice, none of the towns covered in the six States (Assam, Jammu and Kashmir, Manipur, Nagaland, Sikkim and Tripura) was visited even once till August 1988 and only one town each was visited in Haryana and Punjab against 6 and 12 towns covered respectively. The percentage of towns visited in Karnataka and Uttar Pradesh was 17 only against the overall average of 37 *per cent*. The reports of inspection by the Central team were not made available to Audit. Ministry stated in January 1989 that efforts would be made to arrange more frequent visits as far as practicable.

14.14.3 *Evaluation.*—The scheme was evaluated by the Indian Institute of Public Administration in July 1984 in respect of two towns *viz.*, Ganganagar (Rajasthan) and Trichur (Kerala) and by the Regional Centre of Urban and Environmental studies (RCUES) in 13 towns (five towns in each of Gujarat and Maharashtra and three towns in Rajasthan) in 1986. The RCUES which had made a representative study observed that on the whole the scheme had been found to be a boon to small towns which were hitherto neglected; a much more vigorous programme seemed to be necessary if a real impact was to be made on the situation. The important findings and recommendations of the study were as follows :

- While acquisition of land was problem in general, even where the land belonged either to the Union or State Government (it) was not handed over to the Municipal Committee.
- Financial position of MCs was the main constraint which had been barely able to meet the expenses from the present income.

— The MCs were short of trained staff. This delayed preparation of reports and necessary completion certificates.

— Proper maintenance and operation of the assets and facilities created had not been attended to with required seriousness.

— The Secretary Urban Development Department and District Collector who were in overall charge of monitoring and evaluation of the progress of the scheme and Chairman of the District Committee respectively were usually over burdened with a variety of tasks.

— In order to avoid delay in preparation of reports and completion certificates the MCs should be allowed to appoint or take assistance from local consultancy service and some portion of central assistance say one to two *per cent* may be earmarked for the purpose.

— The small and medium towns must be linked to the villages in the hinterland as a production centre, as a service centre and employment generator, thus creating proper and effective linkage.

— Some flexibility in respect of some components depending on the felt needs of MCs as well as the population of the towns may be necessary to enable the Planning Departments recommend even schemes which do not come under the purview of the guidelines.

— Central Government may specifically lay down five *per cent* of the project cost to take care of cost escalation especially for constructional activities like new roads, widening and upgrading of roads, construction of markets and mandis, godowns etc.

In regard to the action taken, the Ministry stated, in January 1989, that the recommendations would be kept in view while formulating the new scheme or a revised scheme for implementation during eighth Five Year Plan.

New Delhi
The 3 1 MAY 1989

(D. S. IYER)
Director of Audit-I, Commerce Works and Miscellaneous

Countersigned

T. N. Chaturvedi

New Delhi
The 0 1 JUN 1989

(T. N. CHATURVEDI)
Comptroller and Auditor General of India

APPENDIX I

(Refers to Paragraph 13.6)

Expenditure in excess of estimates

Name of the State	No. of works involving excess expenditure	Sanctioned cost (Rs. in lakhs) / taken up/ sanctioned during	Expenditure (upto) (Rs. in lakhs)	Range of Percentage of excess expenditure	Remarks
1	2	3	4	5	6
(I) Arunachal Pradesh	5	Rs. 142.21 / March 1983 to March 1987	Rs. 287.57 / March 1988	83.39 to 177.66	Revised estimates pending approval.
(II) Assam	6	Rs. 137.76 / March 1979 to September 1985	Rs. 177.31 / (revised estimate figures)	19.68 to 119.46	—do—
(III) Gujarat	11	Rs. 705.19 / January 1979 to March 1985	Rs. 1,018.75 / N.A.	15.5 to 92	Revised estimates submitted in 8 cases only; in 3 cases estimates not prepared.
(IV) Jammu & Kashmir	23 (on going)	Rs. 510.73 / February 1982 to November 1985	Rs. 823.42 / (Revised cost)	17.86 to 2300	Revised estimates pending approval with the Roads Wing.
	14 (Completed)	Rs. 339.30 / February 1980 to March 1987	Rs. 417.23 / March 1988	15.06 to 141.83	Revised estimates not prepared.
(V) Karnataka	134	Rs. 2,562.43 / May 1964 to October 1986	Rs. 4,581.99 / N.A.	15.20 to 1300.99	..
(VI) Kerala	52	N.A.	N.A.	N.A.	Estimates for 33 works pending approval; in 19 cases revised estimates not prepared.
(VII) Madhya Pradesh	99	Rs. 1,782.30 / N.A.	Rs. 2,655.47 / N.A.	36 to 72	Revised estimates pending approval in 15 cases from Roads Wing; revised estimates in remaining cases under preparation.
(VIII) Maharashtra	26	Rs. 1,249.65 / N.A.	Rs. 2,116.96 / N.A.	15.87 to 933.24 / —	..
(IX) Manipur	18	Rs. 314.83	..	—	Estimates for 13 works pending with Roads Wing and 5 with the State PWD.
(X) Meghalaya	5	Rs. 107.33 / January 1979 to April 1984	Rs. 162.72 / March 1987 to March 1988	25.81 to 133.90	..

1	2	3	4	5	6
(XI) Orissa	32	Rs. 504.16 / N.A.	Rs. 730.61 / N.A.	16.52 to 305.13	..
(XII) Punjab	28	Rs. 960.03 / January 1975 to December 1986	Rs. 1,581.66 / March 1988	18.5 to 185.3	Revised estimates in 15 cases prepared. Of this 5 pending with the Ministry and 10 with State PWD.
(XIII) Rajasthan	12	Rs. 437.28 / October 1973 to June 1986	Rs. 708.72 / March 1988	23 to 343	Approval to revised estimates not obtained.
(XIV) Uttar Pradesh	5 (Completed)	Rs. 538.41 / November 1964 to July 1971	Rs. 2,141.29 / March 1983	120.40 to 918.33	Works completed prior to April 1983 but sanction of revised estimates pending with Roads Wing.
	6 (On going)	Rs. 242.95 / September 1981 to March 1985	Rs. 355.88 / March 1987	19.72 to 94.10	—
(XV) West Bengal	23	Rs. 1,148.48 / N.A.	Rs. 2,060.81 / N.A.	17.95 to 157.41	Excess expenditure not yet regularised.
(XVI) Union Territory of Delhi	23	Rs. 415.51 / 1980-81 to 1987-88	Rs. 699.84 / N.A.	21.73 to 919.67	Revised estimates not prepared.

N.A. stands for not available.

APPENDIX II

(Refers to Paragraph 14.7.6)

Towns taken up in Sixth Plan where expenditure incurred was less than 25 per cent *of approved cost*

(In lakhs of rupees)

State	Name of town	Approved cost	Central release
1	2	3	4
Andhra Pradesh	Chittor	105.09	5.00
Bihar	Chapra	66.78	10.00
	Dumka	89.28	18.50
	Gopalganj	64.30	21.15
	Saharsa	74.08	4.00
Dadra and Nagar Haveli	Silvasa	68.58	25.00
Gujarat	Porbandar	83.41	28.37
Haryana	Ambala	102.15	20.00
Karnataka	Hospet	54.84	16.80
	Jamkhandi	79.96	9.23
	Kanakpara	68.00	34.06
	Karakala	63.83	3.50
	Raichur	74.56	15.00
Kerala	Kayamkulam	76.21	34.20
Madhya Pradesh	Guna	84.75	14.00
	Katni	104.29	27.40
	Morena	85.11	23.00
Manipur	Jiribum	81.53	21.50
	Kakching	80.21	25.60
Meghalaya	Tura	43.94	15.40
Pondicherry	Karaikal	91.00	34.00
Sikkim	Jorthang	115.17	9.14
Tripura	Kailashahar	80.13	10.40
Uttar Pradesh	Kasganj	147.31	7.00
West Bengal	Midnapur	73.98	29.30
		2058.49	461.55

APPENDIX III

(Refers to Paragraph 14.7.6)

Towns taken up in Seventh Plan where no expenditure had been incurred upto 1/88

(In lakhs of rupees)

State	Name of town	Approved cost	Central assistance released
1	2	3	4
Andhra Pradesh	Kavali	96.75	20.00
	Nalgonda	96.43	20.00
	Peddapuram	95.62	10.00
	Yemiganur	119.84	8.50
Bihar	Baxar	74.03	20.00
	Kishanganj	97.11	31.43
	Nawadah	93.44	10.00
	Purnia	97.97	10.00
	Sitamarhi	82.08	10.50
Gujarat	Billimora	62.24	10.00
	Dessa	81.20	12.15
	Upleta	61.94	6.00
	Visnagar	89.11	10.00
Goa	Marmaugao	107.53	35.00
Karnataka	Harihar	78.03	4.00
	Kollegal	77.06	14.00
	Ramnagaram	52.99	2.00
	Sindhanur	77.28	12.00
	Sirsi	74.35	15.00
Madhya Pradesh	Bhander	31.61	10.00
	Gadarwara	88.75	23.87
	Hoshangabad	104.99	26.16
	Kota	51.52	15.40
	Panchmarhi	109.82	23.76
	Mhow	93.92	13.54
	Shahdol	42.05	22.70
Maharashtra	Akot	165.66	15.00
	Chiplum	79.49	19.00
	Igatpuri	80.17	16.80
	Karad	83.16	20.00
	Nilanga	84.37	11.00
	Pusad	90.75	20.00
	Ramtek	110.43	16.00
Meghalaya	Jowai	45.44	7.00
Mizoram	Lunglei	127.81	20.00
Nagaland	Tuensang	89.98	15.00
Pondicherry	Mahe	52.00	30.00
Rajasthan	Bhinmal	93.95	29.80
Sikkim	Namchi Bazar	—	10.00

1	2	3	4
Tamil Nadu	Andipatti	45.50	24.10
	Aruppukottai	70.54	10.00
	Arantangi	92.00	10.00
	Madurantakkam	92.00	10.00
	Rameshwaram	47.69	10.00
	Ramnathapuram	81.63	10.00
Uttar Pradesh	Bhadohi	101.93	25.50
	Bharaich	109.00	25.55
	Etawah	115.28	10.00
	Lalitpur	180.48	29.30
	Maunoth Bhanjan	131.88	25.90
	Mirzapur	132.45	10.00
	Pilibhit	111.37	15.00
	Sambhal	175.82	10.00
	Shaudila	107.97	27.00
	Shamli	140.39	30.00
West Bengal	Arambagh	99.52	13.00
	Contai	45.80	18.80
	Raniganj	92.02	10.00
		5214.14	949.76

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ERRATA

Page	Column	Line	For	Read
(v)	2	2 & 3	at the risk and cost of Rs. 7.33 lakhs.	at the risk and cost of the defaulting firm at an extra cost of Rs. 7.33 lakhs.
1	1	13 (from bottom)	Justic	Justice
1	2	15	reproting	reporting
2	2	25 (from bottom)	on A/T	an A/T
3	1	23	Rs. 6.59	Rs. 5.69
3	1	17 (from bottom)	Rs. 7.47	Rs. 6.57
5	2	13	Rs. 26.2	Rs. 26.26
6	1	24	In	Ins-
7	1	17 (from bottom)	and later by	and by
8	2	last	issued	issue
13	1	11 after the first table	Eigth	Eighth
15	1	6 after table	1985-86. The	1985-86, the
17	1	24	SSI units	units
18	1	4	(89.4 per cent	(89.4 per cent)
19	2	23 from bottom	in plant	Inplant
20	2	5	120.00	Rs. 120.00
20	2	4 from bottom	25.425	25,425
23	2	11	Division	Divisions
28	1	38	is	are
41	Table (Column 2)	14	---	1980-81 to 1984-85
41	Table (Column 2)	14	---	23.70
41	1	18 from bottom	financil	financial
44	1	7	Sikkm	Sikkim
44	1	10	Six	Seven
44	1	13 from bottom	1987	March 1987
45	1	13	Wnch	Which
45	1	15	allotties	allottees
45	2	8	Sep ember	September
45	2	21	Plots and Slaughter	plots and slaughter
45	2	27 from bottom	Staes	States
48	1	28	neet	meet
48	2	12 from bottom	negected	neglected
54	Appendix III	Uttar Pradesh	Shaudila	Sandila

S/70 C&AG/89