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Memo. }



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2005

**(CIVIL)
GOVERNMENT OF GUJARAT**



TABLE OF CONTENTS

	Paragraph	Page
Preface		IX
Overview		XI
CHAPTER - I		
FINANCES OF THE STATE GOVERNMENT		
Introduction	1.1	2
Trend of Finances with reference to previous year	1.2	3
Summary of Receipts and Disbursements for the year 2004-05	1.3	4
Audit Methodology	1.4	4
Resources by volumes and sources	1.5	6
Application of resources	1.6	8
Expenditure by Allocative Priorities	1.7	12
Assets and Liabilities	1.8	15
Management of deficits	1.9	20
Fiscal Ratios	1.10	21
CHAPTER - II		
ALLOCATIVE PRIORITIES AND APPROPRIATION		
Introduction	2.1	23
Summary of Appropriation Accounts	2.2	23
Fulfilment of Allocative Priorities	2.3	24
Unreconciled Expenditure	2.4	28
Defective Re-appropriation	2.5	28
Rush of Expenditure	2.6	29
Budgetary Control	2.7	29
Personal Ledger Accounts/Bank Accounts	2.8	29
Audit of Abstract and Detailed Contingent Bills	2.9	29
CHAPTER-III		
PERFORMANCE REVIEWS		
FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT		
Implementation of Consumer Protection Act and Rules thereof	3.1	31



	Paragraph	Page
NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT		
Sardar Sarovar Narmada Canal Based Bulk Water Transmission Project	3.2	44
PORTS AND FISHERIES DEPARTMENT		
Gujarat Maritime Board	3.3	55

CHAPTER-IV

AUDIT OF TRANSACTIONS

4.1 Misappropriation

PANCHAYAT, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

Doubtful purchase of material	4.1.1	71
-------------------------------	-------	----

4.2 Overpayment/Unfruitful/Wasteful expenditure

FINANCE DEPARTMENT

Overpayment of pensionery benefits	4.2.1	72
------------------------------------	-------	----

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

Unfruitful expenditure	4.2.2	73
------------------------	-------	----

ROADS AND BUILDINGS DEPARTMENT

Wasteful expenditure	4.2.3	74
----------------------	-------	----

Unfruitful expenditure on construction of bridge	4.2.4	75
--	-------	----

4.3 Excess/Avoidable expenditure

EDUCATION DEPARTMENT

Maintenance grant to aided schools	4.3.1	76
------------------------------------	-------	----

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

Avoidable extra cost due to non finalisation of tender within validity period	4.3.2	77
---	-------	----

4.4 Idle investment/Blockage of funds

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

Injudicious decision of the Gujarat Water Supply and Sewerage Board to borrow from a financial institution	4.4.1	78
--	-------	----

Idle investment on an incomplete irrigation project	4.4.2	80
---	-------	----

Idle investment in construction of Minor Irrigation Schemes	4.4.3	81
---	-------	----

	Paragraph	Page
Idle investment and blockage of funds	4.4.4	82
<i>Abel</i>		
ROADS AND BUILDINGS DEPARTMENT		
Idle investment on Indroda Bridge	4.4.5	83
URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT		
Blockage of funds on vacant houses	4.4.6	84 ✓
Parking of funds	4.4.7	84 ✓
<i>4.5 Regulatory issues and other points</i>		
EDUCATION DEPARTMENT		
Irregular payment of Transport Allowance	4.5.1	85
HOME DEPARTMENT		
Non recovery of Water charges from employees occupying Government accommodation	4.5.2	86
URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT		
Loss on disposal of land	4.5.3	87 ✓
GENERAL		
PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT		
Lack of response to audit findings	4.5.4	88
CHAPTER-V		
INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS		
HEALTH AND FAMILY WELFARE DEPARTMENT		
Internal Control system in Health and Family Welfare Department	5.1	89

APPENDICES		Reference to paragraph	Page
I	Summarised financial position of the Government of Gujarat as on 31 March 2005	1.4	101
II	Abstract of Receipts and Disbursements for the year 2004-05	1.4	102
III	Sources and Application of Funds	1.4	105
IV	Time series data on State Government Finances	1.4	106
V	List of Indices/Ratios and basis for their calculation	1.4	107
VI	Status of accounts submitted by Autonomous bodies to State Legislature	1.7.1	108
VII	Departmentwise/durationwise break-up of the cases of misappropriation, defalcation etc. on which final action was pending at the end of September 2005	1.7.2	109
VIII	Departmentwise/Categorywise details in respect of cases of loss to Government due to theft, misappropriation/loss of Government material as at the end of September 2005	1.7.2	110
IX	Details of Statutory Corporations and Government companies with Government investment which are in loss	1.8.3	111
X	Substantial Savings in Grants/Appropriations	2.3.1 (ii)	112
XI	Statement showing cases where saving remained unsurrendered	2.3.1(iii)	116
XII	Anticipated savings not surrendered	2.3.1(iii)	117
XIII	Statement showing the excess over Grant/Appropriation requiring regularisation	2.3.3	118
XIV	Cases of unnecessary Supplementary Grants/Appropriations	2.3.5	120
XV	Excessive Supplementary Grants	2.3.5	121
XVI	Statement showing cases where supplementary provision was inadequate	2.3.5	123
XVII	Cases of re-appropriation under which the expenditure finally showed excess over the balance provision	2.3.6	124

APPENDICES		Reference to paragraph	Page
XVIII	Significant cases of major re-appropriation which were injudicious on account of non-utilisation	2.3.6	125
XIX	Amount surrendered during March 2005	2.3.7	126
XX	Statement showing arrears in reconciliation for the year 2004-05	2.4	130
XXI	Statement showing flow of expenditure during the four quarters of 2004-05	2.6	131
XXII	Unusual Excess over Budget Grant	2.7	133
XXIII	Expenditure without Budget provision	2.7	137
XXIV	Statement showing the details of delay in submission of DC Bills	2.9	138
XXV	Statement showing expenditure incurred in Bulk Water Supply sub projects	3.2.6	140
XXVI	Statement showing projects reviewed	3.2.6	141
XXVII	Details of incomplete works	3.2.8.3	142

PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2005.
3. The remaining chapters deal with the findings of performance audit, audit of transactions in the various departments including the Roads and Buildings and Water Resources Department, audit of Autonomous Bodies and evaluation of Internal Control Mechanism in Government Departments.
4. The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.
5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2004-05 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2004-05 have also been included wherever necessary.

OVERVIEW

This Report contains two chapters on observations of Audit on State's Finance and Appropriation Accounts for the year 2004-05 and three chapters containing four reviews and 18 Paragraphs based on Audit on certain selected programmes, activities and transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples were drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for audit of programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government, wherever received.

A summary of financial position of the State Government of Gujarat and the audit findings is given below.

1. Financial position of the State Government of Gujarat

The finances of the State indicate a mixed trend in deficit indicators during the year 2004-05. The Revenue deficit increased from Rs.3706 crore in 2003-04 to Rs.4037 crore in 2004-05. However, the fiscal deficit decreased from Rs.9142 crore (2003-04) to Rs.8691 crore (2004-05). The Revenue receipts of the State increased from Rs.15739 crore in 2000-01 to Rs.20265 crore in 2004-05. The total expenditure of the State increased from Rs.25953 crore in 2000-01 to Rs.29142 crore in 2004-05. Though the ratio of revenue expenditure to revenue receipts declined from 140 *per cent* in 2000-01 to 120 *per cent* in 2004-05, dependence of the State borrowings for meeting its current expenditure continues primarily due to interest payments and pensions together consumed 39 *per cent* of total revenue receipts of the State during the year. Though the finances of the State are under strain, State Government has been paying subsidies to various Nigams, Corporations, etc. Payment of subsidies increased from Rs.2021.26 crore in 2000-01 to Rs.3371.97 crore during 2004-05. Power sector continues to be highly subsidised and subsidy of Rs.2549 crore was paid during 2004-05, which constitutes 76 *per cent* of the total subsidy during the year. The overall fiscal liabilities of the State increased from Rs.40007 crore in 2000-01 to Rs.71083 crore in 2004-05. Although it is not uncommon for a State to borrow for increasing its social and economic infrastructure and for creating additional income generating assets, a low or negligible return on investments is cause for concern.

(Paragraphs 1.1 to 1.10)

2. Allocative Priorities and Appropriations

Against total budget provision of Rs.41,572.62 crore, actual expenditure was Rs.38,935.28 crore. The overall savings of Rs.2,637.34 crore was the net result of savings of Rs.4,424.60 crore in 148 cases and appropriations offset by excess of Rs.1,787.26 crore in 29 cases of grants and appropriations. The excess of Rs.1,787.26 crore required regularisation by the Legislature under Article 205 of the Constitution of India. Supplementary provisions of Rs.218.35 crore made in 20 cases during the year proved unnecessary in view of aggregate savings of Rs.2339.80 crore. In seven cases, supplementary provision of Rs.84.01 crore proved insufficient leaving an uncovered excess expenditure of Rs.100.23 crore. In 93 grants/appropriations, Rs.4555.67 crore were surrendered in March 2005 indicating inadequate financial control over expenditure.

(Paragraphs 2.1 to 2.9)

3. Implementation of Consumer Protection Act and Rules thereof

Government had not created separate department to ensure that consumer protection programmes got focussed attention for ensuring protection and promotion of awareness for the welfare of the consumers. During 2000-05, against available fund of Rs.122.55 lakh, Rs.30.17 lakh only were disbursed by the Director, Consumer Awareness Protection Agency of Gujarat amongst 30 Consumer Protection Mandlis. Rupees 92.82 lakh were invested in fixed deposits for one/two years with the Gujarat State Financial Services Limited during April 2003 to May 2005. As at the end of March 2005, 24427 cases were pending with State Commission and 19 District Forums of which 7186 cases were pending for more than three years and 2976 were pending for periods between one and three years. The posts of President were vacant in three District Forums since their creation and that of Member in six District Forums. Woman members were not appointed in three District Forums.

(Paragraph 3.1)

4. Sardar Sarovar Narmada Canal Based Bulk Water Transmission Project

Only 29 *per cent* of installed capacity of water was used and only to 415 of 1342 targeted villages/towns were covered. Obtaining loan from commercial bank instead of Housing and Urban Development Corporation (HUDCO) proved costlier by Rs.17.37 crore. Non-adoption of standard bidding documents resulted in termination of contract with a cost overrun of Rs.125 crore and delay in execution of works in Jamnagar district. Improper clause in the contract led to acceptance of surplus stores of Rs.48 lakh and avoidable payment of Rs.5.46 crore on awarding of works on turnkey basis.

(Paragraph 3.2)

5. Gujarat Maritime Board

Return on capital employed declined from 21.43 *per cent* in 2000-01 to 15.16 *per cent* in 2004-05. The contribution of GMB's own jetties in total cargo handling ranged between six and seven *per cent* only. The utilisation of GMB's own dredgers ranged between 39 *per cent* and 51 *per cent* only and non completion of dredging work rendered expenditure of Rs.6.20 crore unfruitful. Due to indecision on the status of jetty constructed by Gujarat State Fertilizer Company Limited in 1987, revenue of Rs.15.21 crore remained unrealized. Incorrect application of rebate on cargo handled resulted in short recovery of wharfage charges of Rs.9.60 crore from two captive jetty operators. At the end of allotment period of ten years of ship breaking plots at Alang, premium amounting to Rs.7.75 crore had remained unrecovered from 24 parties.

(Paragraph 3.3)

6. Internal Control Mechanism in Health & Family Welfare Department

Funds to the tune of Rs.341.16 crore remained unutilised mainly due to vacancies and non-purchase of machinery and equipment, etc. There was a delay ranging between 18 and 562 days in submission of Detailed Contingent bills by the Director of Indian System of Medicines and Homeopathy. Inspection of drug manufacturing units and drawal of samples were inadequate. Prescribed Registers/records were either not maintained or were incomplete. There were large scale pendencies in internal audit.

(Paragraph 5.1)

7. Audit of Transactions

Besides the above, audit of financial transactions, test checked in various Departments of the Government and their field offices revealed instances of wasteful expenditure and other irregularities involving Rs.301.98 crore as mentioned below:

These included a case of suspected misappropriation, wherein Taluka Development Officers of Muli and Wadhwan drew Rs.1.49 crore for purchase of material in contravention to the rules and procedures.

Overpayment/unfruitful/wasteful expenditure of Rs.4.74 crore were noticed in Finance Department (Rs.0.72 crore), Narmada, Water Resources, Water Supply and Kalpsar Department (Rs.0.65 crore) and Roads and Buildings Department (Rs.3.37 crore). This included wasteful expenditure of Rs.2.10 crore due to failure in carrying out California Bearing Resistant (CBR) test in violation of Government instruction, before execution of road work.

Excess/avoidable expenditure of Rs.74.18 crore were noticed in Education Department (Rs.1.44 crore) and Narmada, Water Resources, Water Supply and Kalpsar Department (Rs.72.74 crore). This include a case where delay in allotment of work resulted in extra expenditure of Rs.72.74 crore.

Idle investment/blockage of funds of Rs.205.03 crore were noticed in Narmada, Water Resources, Water Supply and Kalpsar Department (Rs.173.33 crore), Urban Development and Urban Housing Department (Rs.13.31 crore) and Roads and Buildings Department (Rs.18.39 crore). These cases of blockage of funds included a case where due to lack of demand and non provision of basic amenities resulted in blockage of Rs.11.31 crore on vacant houses.

Apart from this, there were regulatory issues aggregating Rs.16.54 crore in Education Department (Rs.0.81 crore), Home Department (Rs.0.61 crore) and Urban Development and Urban Housing Department (Rs.15.12 crore). Amongst these cases, a case relates to irregular disposal of land at a very low rate to a private trust, which resulted in loss of Rs.13.18 crore to the Gujarat Housing Board.

(Paragraphs 4.1.1 to 4.5.4)

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

In summary

The finances of the State indicate a mixed trend in deficit indicators during the year 2004-05. The revenue deficit increased from Rs.3,706 crore in 2003-04 to Rs.4,037 crore in 2004-05. However, the fiscal deficit decreased from Rs.9,142 crore (2003-04) to Rs.8,691 crore (2004-05).

The Revenue receipts of the State increased from Rs.15,739 crore in 2000-01 to Rs.20,265 crore in 2004-05. The growth in 2004-05 was attained primarily due to increase in the tax revenue on account of Sales Tax (Rs.1,139.04 crore), Taxes and duties on Electricity (Rs.236.88 crore) and Stamps and Registration fees (Rs.138.13 crore). Of non-tax revenue sources, Non-ferrous mining and metallurgical industries receipts (46 *per cent*) was principal contributor. There was an increase in State's own tax revenue by 16 *per cent* compared to previous year.

The total expenditure of the State increased from Rs.25,953 crore in 2000-01 to Rs.29,142 crore in 2004-05. Interest payments and Pensions together consumed 39 *per cent* of total revenue receipts of the State during the year.

The overall fiscal liabilities of the State increased from Rs.40,007 crore in 2000-01 to Rs.71,083 crore in 2004-05. Although it is not uncommon for a State to borrow for increasing its social and economic infrastructure and for creating additional income generating assets, a low or negligible return on investments is cause for concern.

Only through some hard measures for reduction of revenue deficit/fiscal deficit like compressing non-developmental revenue expenditure and enhanced additional resource mobilisation through improved tax collection and periodical revision of user charges for increased cost recoveries of Government services, prudent debt management and greater fiscal management in medium term framework, the State Government can achieve long term fiscal stability.

1.1 Introduction

The Finance Accounts of the Government of Gujarat are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Accounts of the State Government. The layout of the Finance Accounts is depicted in the Box 1.

Box 1

Lay out of Finance Accounts

Statement No.1 presents the summary of transactions of the State Government-Receipts and Expenditure, Revenue and Capital, Public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and the Public Accounts of the State.

Statement No.2 contains the summarised statement of Capital Outlay showing progressive expenditure to the end of 2004-05.

Statement No.3 gives financial results of Irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No.4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No.5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No.6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the Statutory Corporations, local bodies and other institutions.

Statement No.7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Accounts as on 31 March 2005.

Statement No.9 shows the Revenue and Expenditure under different heads for the year 2004-05 as a percentage of total revenue/expenditure.

Statement No.10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No.11 indicates the detailed account of revenue receipts by minor heads.

Statement No.12 provides accounts of revenue expenditure by minor heads under non-plan, State plan and Centrally Sponsored Schemes separately, and capital expenditure major head wise.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2004-05.

Statement No.14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc. upto the end of 2004-05.

Statement No.15 depicts the capital and other expenditure to the end of 2004-05 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under the heads of account relating to debt, Contingency Fund and Public Accounts.

Statement No.17 presents detailed account of debt and other interest bearing obligations of the Government of Gujarat.

Statement No.18 provides the detailed account of loans and advances given by the Government of Gujarat, the amount of loan repaid during the year, the balance as on 31 March 2005 and the amount of interest received during the year.

Statement No.19 gives the details of earmarked balances of reserved funds.

1.2 Trend of Finances with reference to previous year

Finances of State Government during the current year compared to previous year were as under:

(Rupees in crore)

2003-04	Sl. No	Major Aggregates	2004-05
18248	1.	Revenue Receipts (2+3+4+5)	20265
11173	2.	Tax Revenue (own tax Revenue)	12958
1966	3.	Tax transfers	2219
3272	4.	Non-Tax Revenue	3090
1837	5.	Other Receipts	1998
200	6.	Non-Debt Capital Receipts (7+8)	186
18	7.	Capital Receipts	6
182	8.	Recovery of Loans and Advances	180
18448	9.	Total Receipts (1+6)	20451
20783	10.	Non-Plan Expenditure (11+13+14)	20720
18645	11.	On Revenue Account	20056
5857	12.	Of which, interest payments	6074
159	13.	On Capital Account	189
1979	14.	On Loans disbursed	475
6807	15.	Plan Expenditure (16+18+19)	8422
3309	16.	On Revenue Account	4246
18	17.	Of which interest payments	5
3052	18.	On Capital Account	3911
446	19.	On Loans disbursed	265
27590	20.	Total Expenditure (10+15)	29142
3706	21.	Revenue Deficit (11+16-1)	4037
9142	22.	Fiscal Deficit (20-1-6)	8691
3267	23.	Primary Deficit (22-12-17)	2612

1.3 Summary of Receipts and Disbursements for the year 2004-05

Table 1 summarises the finances of the State Government for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and Public Accounts receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1: Summary of Receipts and Disbursements for the year 2004-05

2003-04		2004-05		2003-04		2004-05		
Receipts		Disbursements						
Section-A: Revenue								
		Total				Non-Plan	Plan	Total
18247.52	I Revenue receipts	20264.94	21954.14	I Revenue expenditure	20055.79	4246.01	24301.80	
11173.43	Tax revenue	12957.70	9250.16	General Services	9954.02	70.29	10024.31	
3271.96	Non-tax revenue	3090.50	7075.68	Social Services	5646.86	2204.07	7850.93	
1965.48	Share of Union Taxes/Duties	2219.30	5528.32	Economic Services	4311.60	1971.65	6283.25	
1836.65	Grants from Govt. of India	1997.44	99.98	Grants-in-aid / Contributions	143.31		143.31	
Section-B: Capital								
17.95	II Misc. Capital Receipts	5.90	3211.43	II Capital Outlay	189.46	3910.75	4100.21	
181.60	III Recoveries of Loans and Advances	180.20	2424.80	III Loans and Advances disbursed	474.97	264.60	739.57	
15007.75	IV Public debt receipts*	13328.48	5395.39	IV Repayment of Public Debt	5815.04 [#]		5815.04	
25038.70	V Public accounts receipts	32787.59	25021.98	V Public account disbursements	31018.87 [#]		31018.87	
1483.20	Opening Balance	1887.95	1887.95	Closing Balance			2565.05	
59976.72	Total	68455.06	59895.69	Total	57554.13	8421.36	68540.54	

Note : *- Includes net ways and means advances and overdraft also
 #- Bifurcation of plan and non- plan not available

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2004-05 and wherever necessary, show these in the light of time series data (Appendix I to IV) and periodic comparisons.

The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in the Box 1.2.

Box 1.2 Reporting Parameters
<p>Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the Gross State Domestic Product (GSDP) at current market prices. The New GSDP series with 1993-94 as base as published by the Directorate of Economics and Statistics of the State Government have been used.</p> <p>For tax revenues, non-tax revenues, revenue expenditure, etc. buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.</p> <p>For most series a trend growth during 2000-05 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in Appendix-V.</p>

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Box 1.3 State Government Funds and the Public Account	
<p>Consolidated Fund</p> <p>All revenues received by the State Government, all loans raised, ways and means advances and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.</p>	<p>Contingency Fund</p> <p>Contingency Fund of State established under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p>
<p>Public Account</p> <p>Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution of India and the related disbursements are made from it.</p>	

State Finances by key Indicators

1.5 Resources by volumes and sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/commercial banks, etc. and loans and advances from Government of India as well as accruals from the Public Account.

Table 2 shows that the total receipts of the State Government for the year 2004-05 were Rs.66,567 crore. Of these, the revenue receipts of the State Government were Rs.20,265 crore only, constituting 30 per cent of the total receipts. The balance of receipts came from borrowings and public account receipts.

Table 2: Resources of Gujarat

		(Rupees in crore)
I Revenue Receipts		20265
II Capital Receipts		13514
a	Miscellaneous Receipts	6
b	Recovery of Loans and Advances	180
c	Public Debt Receipts	13328
III Public Account Receipts		32788
a	Small Savings, Provident Fund, etc.	825
b	Reserve Fund	429
c	Deposits and Advances	10857
d	Suspense and Miscellaneous	15165 [^]
e	Remittances	5512
Total Receipts		66567

1.5.1 Revenue receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the State Government. The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancy are indicated in Table 3.

[^] Clearance on the disbursement side amounting to Rs.14753.44 crore is given in Appendix-II

Table 3: Revenue Receipts – Basic Parameters(Value: Rupees in crore and others in *per cent*)

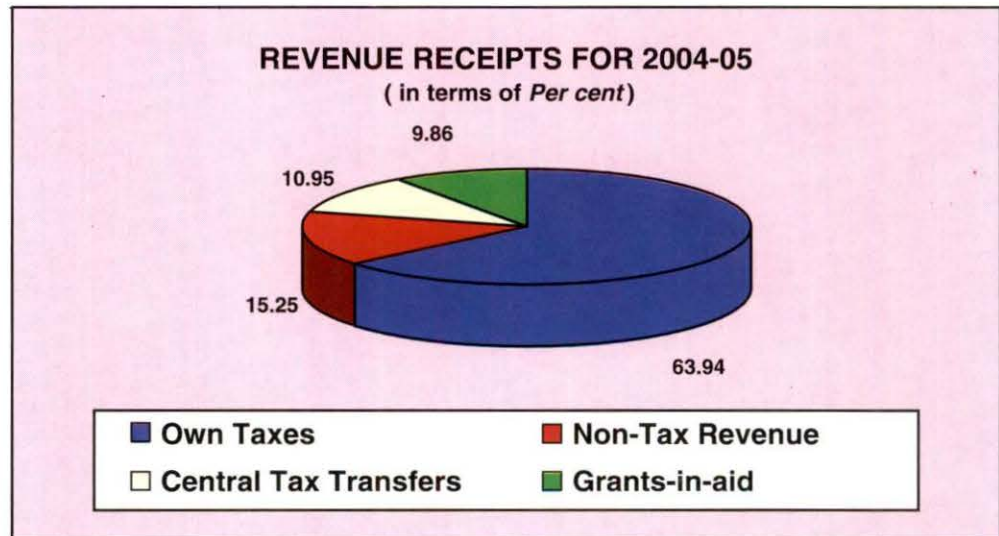
	2000-01	001-02	2002-03	2003-04	2004-05
Revenue Receipts	15739	15986	17875	18248	20265
Own Taxes	57.48	57.84	53.25	61.23	63.94
Non-Tax Revenue	21.28	23.53	22.36	17.93	15.25
Central tax Transfers	10.00	9.31	7.63	10.77	10.95
Grants-in aid	11.24	9.32	16.76	10.07	9.86
Rate of Growth	12.65	1.57	11.82	2.08	11.05
Revenue Receipt/GSDP	14.51	13.21	12.67	10.90	NA
Revenue Buoyancy	(-)33.77	0.14	0.71	0.11	NA
Own Tax Buoyancy	(-) 29.30	0.19	0.18	0.93	NA
GSDP Growth	(-) 0.37	11.57	16.55	18.64	NA

Note:- Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (2000-2004) have undergone change from last Audit Report.

NA – GSDP figure for the year 2004-05 not available (February 2006).

Revenue receipts of the State increased from Rs.15,739 crore in 2000-01 to Rs.20,265 crore in 2004-05. The increase of 11.05 *per cent* in 2004-05 was mainly due to 16 *per cent* increase in State's own tax revenue.

The increase in the tax revenue during the year 2004-05 was mainly due to increase in Sales Tax (Rs.1,139.04 crore), Taxes and Duties on Electricity (Rs.236.88 crore) and Stamps and Registration Fees (Rs.138.13 crore) etc. The contribution of own tax revenue to the revenue receipts, after showing significant decline from 57.48 *per cent* in 2000-01 to 53.25 *per cent* in 2002-03, again reached 63.94 *per cent* in 2004-05.



Sales tax was the major source of State's own tax revenue having contributed 64 *per cent* of the tax revenue followed by taxes and duties on electricity (14 *per cent*), taxes on vehicles (eight *per cent*) and Stamp and Registration fees (eight *per cent*) etc.

Of non-tax revenue sources (Rs.3,090.50 crore), non ferrous mining and metallurgical industries receipts (46 per cent) and interest receipts (15 per cent) were principal contributors. The current levels of cost recovery in supply of merit goods and services by Government are 0.29 per cent for secondary education, 0.37 per cent for university and higher education, 0.24 per cent for technical education, 1.60 per cent for health and family welfare, 0.05 per cent for water supply and sanitation, 6.70 per cent for major and medium irrigation and 0.16 per cent in minor irrigation.

Besides, the arrears of revenues increased by 132 per cent from Rs.5,663 crore in 2000-01 to Rs.13,166 crore at the end of 2004-05. Of these, Rs.2,965 crore were outstanding for a period of more than five years. Arrears were mainly in respect of Taxes on Sales, Trade, etc. (Rs.2,951 crore). The deterioration in the position of arrears of revenue showed a slackening of the revenue realising efforts of the State Government.

The receipts under different heads and GSDP during 2000-05 are indicated in Table 4.

Table 4: Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
2000-01	15739	2227	7686	25129	50781	108484
2001-02	15986	2207	8158	23703	50054	121038
2002-03	17875	171	9684	20666	48396	141066
2003-04	18248	200	15008	25039	58495	167356
2004-05	20265	186	13328	32788	66567	NA

NA - GSDP figure for the year 2004-05 not available (February 2006).

1.6 Application of resources

1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major head. The total expenditure of the State increased from Rs.25,953 crore in 2000-01 to Rs.29,142 crore in 2004-05.

Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table 5 below:

Table 5: Total Expenditure – Basic Parameters

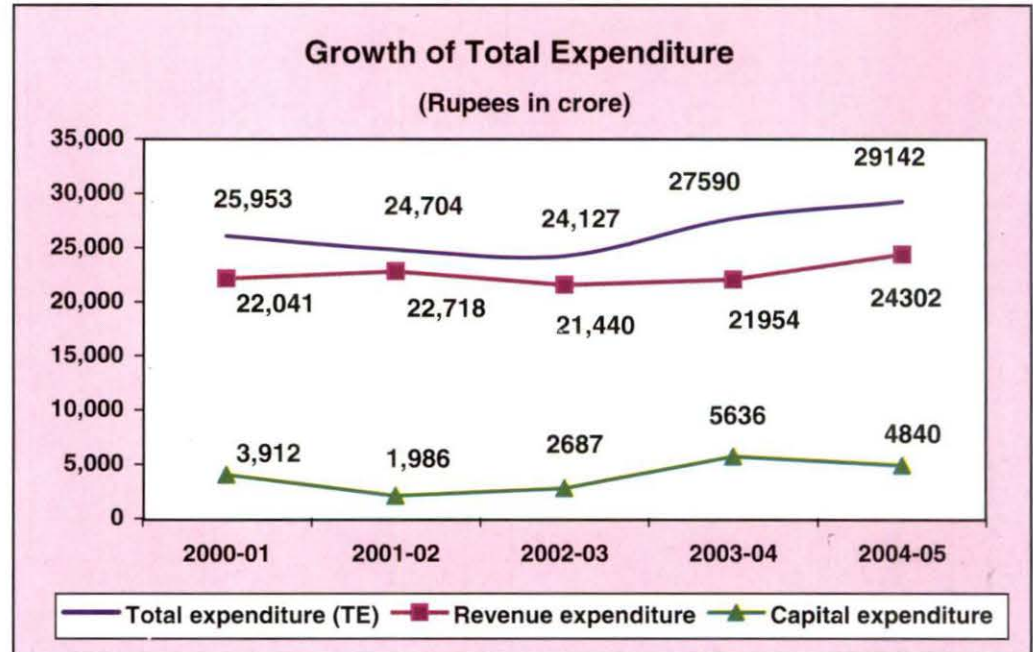
(Value: Rupees in crore and others in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Total Expenditure (TE)	25953	24704	24127	27590	29142
Rate of Growth	24.55	(-)4.81	(-)2.34	14.35	5.63
TE/GSDP	23.92	20.41	17.10	16.49	NA
Revenue Receipt / TE Ratio	60.64	64.71	74.09	66.14	69.54
Buoyancy of Total Expenditure with					
GSDP	Negative	Negative	Negative	0.77	NA
Revenue Receipts	1.94	Negative	Negative	6.88	0.51

Note: Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (2000-2004) have undergone change from last Audit Report.

NA – GSDP figure for the year 2004-05 not available (February 2006).

There was moderate increase in the ratio of revenue receipts to total expenditure from 60.64 per cent in 2000-01 to 69.54 per cent in 2004-05, indicating that nearly 70 per cent of the State's total expenditure was met from its revenue receipts, leaving the balance to be met from borrowings.

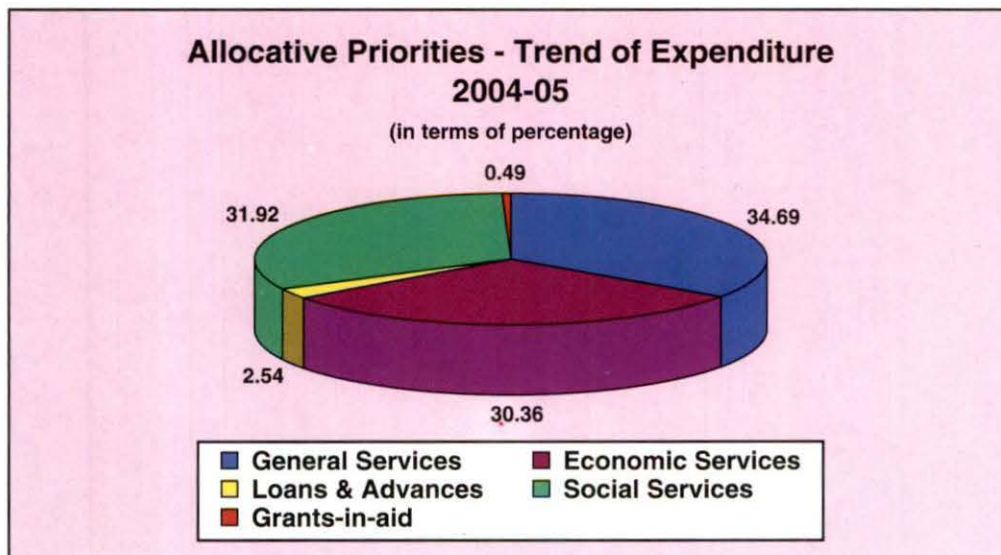


In terms of activities, total expenditure comprised expenditure on General Services including interest payments, Social and Economic Services and Loans and Advances. The relative shares of these components in total expenditure are indicated in Table 6.

Table 6: Components of expenditure – Relative Share (in per cent)

	000-01	2001-02	2002-03	2003-04	2004-05
General Services	23.83	29.12	34.57	33.73	34.69
Social Services	33.78	34.74	31.32	29.86	31.92
Economic Services	38.67	34.99	32.25	27.25	30.36
Grants-in-aid and contributions	0.19	0.22	0.43	0.37	0.49
Loans & Advances	3.53	0.93	1.43	8.79	2.54

The movement of relative share of these components indicates that while the share of Economic Services in total expenditure declined sharply from 38.67 per cent in 2000-01 to 30.36 per cent in 2004-05; the relative share of General Services considered as non-developmental, increased from 23.83 per cent in 2000-01 to 34.69 per cent in 2004-05. The share of Social Services declined from 33.78 per cent in 2000-01 to 31.92 per cent in 2004-05.



1.6.2 Incidence of Revenue expenditure

Revenue expenditure usually incurred to maintain the current level of assets and services, had the predominant share in the total expenditure of the State and increased from Rs.22,041 crore in 2000-01 to Rs.24,302 crore in 2004-05. This increase was mainly due to increase in expenditure on Urban Development (Rs.324 crore), General Education (Rs.314 crore) and Interest payment (Rs.274 crore) in comparison to the previous year.

Over all revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts are indicated in Table 7 below:

Table 7: Revenue Expenditure – Basic Parameters

(Value: Rupees in crore and others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Expenditure	22041	22718	21440	21954	24302
Rate of Growth	25.83	3.07	-5.63	2.40	10.70
RE/GSDP	20.32	18.77	15.20	13.12	NA
RE as <i>per cent</i> of TE	84.93	91.96	88.86	79.57	83.39
RE as <i>per cent</i> to Revenue Receipt	140.04	142.11	119.94	120.32	119.92
Buoyancy of Revenue Expenditure with					
GSDP	Negative	0.27	Negative	0.13	NA
Revenue Receipts	2.04	1.96	Negative	1.15	0.97

Note: Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (2000-2004) have undergone change from last Audit Report.

NA – GSDP figure for the year 2004-05 not available (February 2006).

As only 83 *per cent* of revenue expenditure could be financed from revenue receipts, this led to revenue deficit. Though the ratio of revenue expenditure to revenue receipts declined from 140.04 *per cent* in 2000-01 to 119.92 *per cent* in 2004-05, dependence of the State on borrowings, for meeting its current expenditure, continued primarily due to the fact that interest payments (Rs.6079 crore) and pensions (Rs.1,892 crore) consumed nearly 39 *per cent*¹ of total revenue receipts of the State during the year.

◦ *Huge expenditure on pension payments*

Pension payments have increased by 31.49 *per cent* from Rs.1,438.60 crore in 2000-01 to Rs.1,891.60 crore in 2004-05. Year-wise break-up of expenditure incurred on pension payments during the years 2000-01 to 2004-05 was as under:

Table 8: Pension Payments

Year	Expenditure Rupees in crore	Percentage to total Revenue Receipts
2000-01	1438.60	9
2001-02	1502.17	9
2002-03	1588.33	9
2003-04	1733.94	10
2004-05	1891.60	9

With the increase in the number of retirees, the pension liabilities were likely to increase further in future. The State Government had not constituted any fund to meet the fast rising pension liabilities of the retired State employees. Considering the rate at which the pension liabilities were increasing, reforms in the existing pension schemes assume critical importance.

¹ Expenditure figures relating to salary were not made available by the Finance Department

◦ *Interest payments*

The Eleventh Finance Commission had recommended (August 2000) that as a medium term objective, the States should endeavour to keep interest payment as a ratio to revenue receipts of 18 *per cent*. It was, however, observed that interest payments as a percentage of revenue receipts had reached 30 *per cent* in 2004-05.

Table 9: Interest Payments

Year	Interest payment (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
2000-01	3131	20	14
2001-02	4206	26	19
2002-03	4949	28	23
2003-04	5875	32	27
2004-05	6079	30	25

In absolute terms, the interest payments increased steadily by 94 *per cent* from Rs.3,131 crore in 2000-01 to Rs.6,079 crore in 2004-05 primarily due to increasing borrowings for financing the fiscal deficit.

◦ *Subsidies by the Government*

Though the finances of the State were under strain, State Government had been paying subsidies to the various Nigams, Corporations, etc. During the last five years, State Government paid the subsidies under various schemes as under:

Table 10: Subsidy

Sr. No	Particulars	(Rupees in crore)				
		2000-01	2001-02	2002-03	2003-04	2004-05
1	Gujarat Electricity Board (GEB)	2021.26 [#]	3359.93	1858.75	2460.05	2548.56
2	Others	N.A	715.92	191.41	364.13	823.41
	Total	2021.26	4075.85	2050.16	2824.18	3371.97
	Percentage of subsidy to total expenditure*	8.07	16.65	8.62	11.22	11.87

* Total Expenditure excludes Loans and Advances

N.A: information not furnished by the concerned department

[#] Figures adopted from Audit Report (Commercial)

The Power Sector continued to be highly subsidised and subsidy of Rs.2,549 crore was paid during 2004-05, which constituted 76 *per cent* of the total subsidy during the year. The State should initiate steps for reforming the Power Sector.

1.7 Expenditure by Allocative Priorities

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflect the allocative priorities of the State. Higher the ratio of these components to total expenditure better is deemed to be the quality of expenditure.

Table 11 below gives the percentage share of these components of expenditure in State's total expenditure.

Table 11: Quality of expenditure (*per cent* to total expenditure*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Plan Expenditure	23.42	14.08	17.98	25.28	28.72
Capital Expenditure	11.96	7.18	9.84	12.76	14.44
Development Expenditure	75.10	70.38	64.49	62.61	63.90

* Total expenditure excluded expenditure on loans and advances.

The relative shares of these components improved during 2004-05, Plan Expenditure increased from 23.42 *per cent* of total expenditure in 2000-01 to 28.72 *per cent* in 2004-05. Capital Expenditure also increased from 11.96 to 14.44 *per cent*. But the share of Development Expenditure declined from 75.10 *per cent* in 2000-01 to 63.90 *per cent* in 2004-05 indicating increasing trend in non-development expenditure.

Out of the Development Expenditure (Rs.18,150 crore), Social Services (Rs.9,301 crore) accounted for 51 *per cent* during the year. General Education, Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development consumed 76 *per cent* of the expenditure on social sector.

Table 12: Social Sector Expenditure

	(Rupees in crore)*									
	2000-01		2001-02		2002-03		2003-04		2004-05	
General Education	3685	(3.40)	3264	(2.70)	3634	(2.58)	3693	(2.21)	4002	(NA)
Health & Family Welfare	919	(0.85)	729	(0.60)	864	(0.61)	887	(0.53)	971	(NA)
Water Supply, Sanitation, Housing and Urban Development	1701	(1.57)	796	(0.66)	1142	(0.81)	1480	(0.88)	2072	(NA)
Total	6305		4789		5640		6060		7045	

* The expenditure as percentage of GSDP in brackets
NA - GSDP figure for the year 2004-05 not available (February 2006).

Similarly, the expenditure on Economic Services (Rs.8849 crore) accounted for 49 *per cent* of the Developmental Expenditure of which Energy (Rs.2,775 crore), Irrigation and Flood Control (Rs.2,141 crore) and Transport (Rs.1,489 crore) accounted for 72 *per cent* of the expenditure on economic sector.

Table 13: Economic Sector Expenditure

	(Rupees in crore)*				
	2000-01	2001-02	2002-03	2003-04	2004-05
Energy	3578 (3.30)	3503 (2.89)	2133 (1.51)	2570 (1.54)	2775 (NA)
Irrigation and flood control	3101 (2.86)	2335 (1.93)	2787 (1.98)	1710 (1.02)	2141 (NA)
Transport	1006 (0.93)	838 (0.69)	1086 (0.77)	1275 (0.76)	1489 (NA)
Total	7685	6676	6006	5555	6405

* The expenditure as percentage of GSDP in brackets
NA - GSDP figure for the year 2004-05 not available (February 2006).

1.7.1 Financial assistance to Local bodies and other institutions

Autonomous bodies and authorities perform non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act and Companies Act, 1956, to implement various programmes of Government. The quantum of assistance provided to different Bodies during the period of five years ending 2004-05 was as follows:

Table 14: Financial assistance to Local bodies and other institutions
(Rupees in crore)

Sr. No.	Bodies/authorities, etc.	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Universities and Educational Institutions	*NA	100.63	95.45	85.01	83.75
2.	Municipal Corporations and Municipalities	331.72	208.89	222.71	244.03	823.49
3.	Zilla Parishads and Panchayati Raj Institutions	288.83	1470.91	1637.43	1572.61	1815.79
4.	Other Institutions (including statutory bodies)	213.32	1191.95	1011.97	1058.32	480.83
	Total	833.87	2972.38	2967.56	2959.97	3203.86
	Percentage increase (+) / decrease (-) over previous year	(-67)	256	Negligible	Negligible	8.24
	Assistance as a percentage of revenue receipts	5	19	17	16	16

* N.A.: information not furnished by the concerned department

Delay in submission of accounts by Autonomous Bodies

The status of submission of accounts by the autonomous bodies and submission of Audit Reports thereon to the State Legislature as of September 2005 is given in Appendix VI.

1.7.2 Misappropriations, defalcations, etc.

The State Government reported that final action on 171 cases involving Rs.6.73 crore on account of misappropriations and defalcations of Government money, pertaining to the period from 1952-53 to the end of March 2005, was pending at the end of September 2005. The department-wise/year-wise and category-wise break-up of pending cases is given in Appendix-VII and VIII respectively.

1.7.3 Write off of losses

During 2004-05, Rs.0.57 lakh representing losses due to theft, fire and irrecoverable revenue were written off in four cases by the competent authorities as reported to audit. The relevant details were as under:

Table: 15

Sr. No.	Department	Number of cases	Amount (Rs. in lakh)
1.	Home	1	0.42
2.	Education	3	0.15
	Total	4	0.57

1.8 Assets and Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets i.e. land and buildings owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. Appendix-I presents an abstract of such liabilities and the assets as on 31 March 2005, compared with the corresponding position on 31 March 2004. Liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Accounts and Reserve Funds, the assets comprise mainly of the capital expenditure and loans and advances given by the State Government.

The liabilities of Government of Gujarat depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to serving/retired State employees, guarantees/letters of comforts issued by the State Government. Appendix IV depicts the Time Series Data on State Government Finances for the period 2000-2005.

1.8.1 Financial results of irrigation works

The financial results of one major and four medium irrigation projects* with capital expenditure of Rs.228.58 crore showed that revenue realised during 2004-2005 (Rs.34.26 crore) was only 14.98 *per cent* of the capital expenditure. After meeting the working and maintenance expenditure (Rs.27.11 crore), the net profit was Rs.7.15 crore.

1.8.2 Blockage of funds in incomplete project

As per information received from the State Government, as of 31 March 2005, there were 88 incomplete capital projects in which Rs.219 crore were blocked in the project having cost above Rupees one crore.

1.8.3 Investments and returns

As on 31 March 2005, Government had invested Rs.12,739 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. Government's return on this investment was not only meagre (less than one *per cent*) but also significantly declined to 0.28 *per cent* during 2004-05 as indicated in Table 16 below.

* The details of other irrigation projects could not be compiled for want of proforma accounts from the State Government

Table 16: Return on Investment

(Rupees in crore)				
Year	Investment at the end of the year	Return	Percentage of Return	Average Rate of Interest paid by the State
2000-01	4707	26.07	0.55	8.75
2001-02	4978	27.52	0.55	9.86
2002-03	5014	42.02	0.84	10.11
2003-04	11220	29.89	0.27	10.17
2004-05	12739	35.82	0.28	9.08

Four Statutory Corporations and 25 Government Companies with an aggregate investment of Rs.1,059 crore upto 2004-05 were incurring losses and their accumulated losses amounted to Rs.11,015 crore as per the accounts furnished by these companies (Appendix-IX).

1.8.4 Loans and Advances by the State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs.5,744 crore as on 31 March 2005 (Table 17). Interest received against these advances declined from Rs.371 crore in 2000-01 to Rs.0.10 crore in 2004-05.

Table 17: Average Interest received on Loans advanced by the State Government

(Rupees in crore)					
	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	6054.00	4744.00	2767.00	2942.00	5185
Amount advanced during the year	917.00	229.00	346.00	2425.00	739
Amount repaid during the year	2227.00	2206.00	171.00	182.00	180
Closing Balance	4744.00	2767.00	2942.00	5185.00	5744
Net addition	(-)1310.00	(-)1977.00	175.00	2243.00	559
Interest received	371.00	67.00	82.00	0.01	0.10
Interest received as percent to Loans advanced	6.87	1.78	2.87	0.00	0.00
Average rate of interest paid by the State	8.75	9.86	10.11	10.17	9.08
Difference between interest paid and received	(-)1.88	(-)8.08	(-)7.24	(-)10.17	(-)9.08

1.8.5 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. Gujarat had the WMA limit of Rs.520 crore during 2004-05. During the year, the State has used this mechanism for 127 days as against 203 days last year although it raised borrowings of Rs.2,020 crore from the market on five occasions. Improving the management of cash balances, the State did not use overdraft facilities on any occasion during 2004-05.

Table 18: Ways and Means Advances and Overdrafts of the State and Interest paid thereon

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Ways and Means Advances					
Taken in the year	1371.57	7059.00	5092.13	5394.18	3072.59
Outstanding	888.89	452.20	42.44	42.44	Nil
Interest paid	7.32	21.78	12.28	11.62	3.47
Overdraft					
Taken in the year	3259.90	10212.54	9624.93	1766.93	Nil
Outstanding	Nil	145.05	Nil	Nil	Nil
Interest paid	0.82	1.54	3.00	0.46	Nil
Number of Days State was in Overdraft	45	72	47	21	Nil

1.8.6 Undischarged Liabilities◦ *Fiscal liabilities – public debt and guarantees*

The Constitution of India provides that the State may borrow within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by an Act of Legislature. However, no such law was passed by the State to lay down any such limit. Statement 4 read with Statements 16 and 17 of Finance Accounts shows the year-end balances under Debt, Deposit and Remittances heads from which the liabilities are worked out.

The overall fiscal liabilities of the State increased from Rs.40,007 crore in 2000-01 to Rs.71,083 crore in 2004-05. These liabilities stood in 2004-05 at 3.51 times of its revenue receipts and 4.43 times of its own resources comprising its own tax and non-tax revenues.

Table 19 below gives the Fiscal Liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

Table 19: Fiscal Imbalances–Basic Parameters

	(Rupees in crore and Ratios in per cent)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal Liabilities	40007	45301	52572	62876	71083
Rate of Growth	26.76	13.23	16.05	19.60	13.05
Ratio of Fiscal Liabilities to					
GSDP	36.88	37.43	37.27	37.57	NA
Revenue Receipt	254.20	283.40	294.10	344.58	350.77
Own Resources	322.70	348.30	389.00	435.27	442.91
Buoyancy of Fiscal Liabilities to					
GSDP	Negative	1.14	0.97	1.05	NA
Revenue Receipt	2.12	8.43	1.36	9.39	1.18
Own Resources	2.40	2.68	4.12	2.85	1.18

Note: Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (2000-2004) have undergone change from last Audit Report.

NA – GSDP figure for the year 2004-05 not available (February 2006).

◦ Guarantees

In addition to the above liabilities, the State Government had guaranteed loans of its various Corporations and others, which in 2004-05 stood at Rs.15,587 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there exists an obligation on the State Government to honour these commitments. The State Government has been resorting to guarantees for raising the resources in a big way during last five years. The year-wise position of maximum amount for which guarantee given by the State Government to the end of March 2005 was as under:

Table-20: Guarantees given by the State Government

(Rupees in crore)			
Year	Maximum amount guaranteed	Outstanding amount of guarantees	Percentage to total revenue
2000-01	13255	12693	81
2001-02	16781	16219	101
2002-03	19426	18866	105
2003-04	18032	17473	96
2004-05	16122	15587	77

The outstanding guarantees (Rs.15,587 crore) accounted for 77 per cent of the revenue receipt (Rs.20,265 crore) of the State Government.

Out of the total outstanding guarantees of Rs.15,587 crore almost 79 per cent was towards Sardar Sarovar Narmada Nigam Limited (SSNNL) and Gujarat Electricity Board (GEB).

Increasing liabilities raise the issue of sustainability of State Government's finances. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP.

Debt sustainability with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table 21.

Table 21: Debt Sustainability—Interest Rate and GSDP Growth

(in per cent)					
	2000-01	2001-02	2002-03	2003-04	2004-05
Weighted Interest Rate	8.75	9.86	10.11	10.17	9.08
GSDP Growth	- 0.37	11.57	16.55	18.64	NA
Interest spread	- 9.12	1.71	6.44	8.47	NA

Note: Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (2000-2004) have undergone change from last Audit Report.

NA – GSDP figure for the year 2004-05 not available (February 2006).

Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. Table 22 below gives the position of the receipts and repayments of internal debt over the last five years. The net funds available on account of the internal debt and loans and advances from Government of India

after providing for the interest and repayments declined from 20.88 per cent (2000-01) to 11.21 per cent (2004-05).

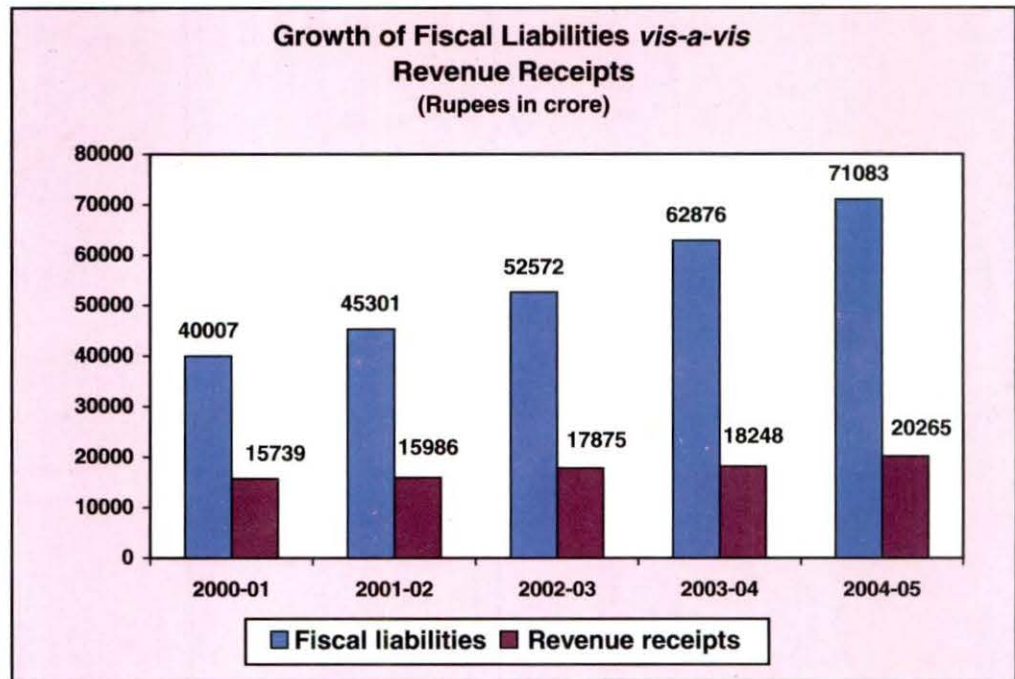


Table 22: Net Availability of Borrowed Funds

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Internal Debt *					
Receipt	7121	5926	8365	12004	11510
Repayment (Principal + Interest)	671	1715	2339	3436	4962
Loans and Advances from GOI					
Receipt	-98	2231	1318	3004	1818
Repayment (Principal + Interest)	3060	2834	4780	7135	6294
Other Liabilities					
Receipt	15259	10759	10898	9508	11964
Repayment (Principal + Interest)	13898	12989	10470	10456	11201
Total Liabilities					
Receipt	22282	18916	20581	24516	25292
Repayment (Principal + Interest)	17629	17538	17589	21027	22457
Net Fund Available	4653	1378	2992	3489	2835
Net Fund Available (<i>per cent</i>)	20.88	7.28	14.54	14.23	11.21

* Internal debt excluding ways and means advances and overdraft

The State Government raised market loans of Rs.2,020.46 crore during the year. The weighted average rate of market borrowing (Rs.2,020 crore) during the year was 6.27 per cent. As on 31 March 2005, 28 per cent of the existing market loans of the State Government carried the interest rate exceeding 10 per cent. Thus, the effective cost of borrowings on their past loans was much higher than the rate at which they were able to raise resources at present from the market. The maturity profile of the State Government market loans indicated that barely 23 per cent of the total market loans were repayable within next five years while remaining 77 per cent loans had a longer maturity.

1.9 Management of deficits

1.9.1 Fiscal imbalances

The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to the fiscal health.

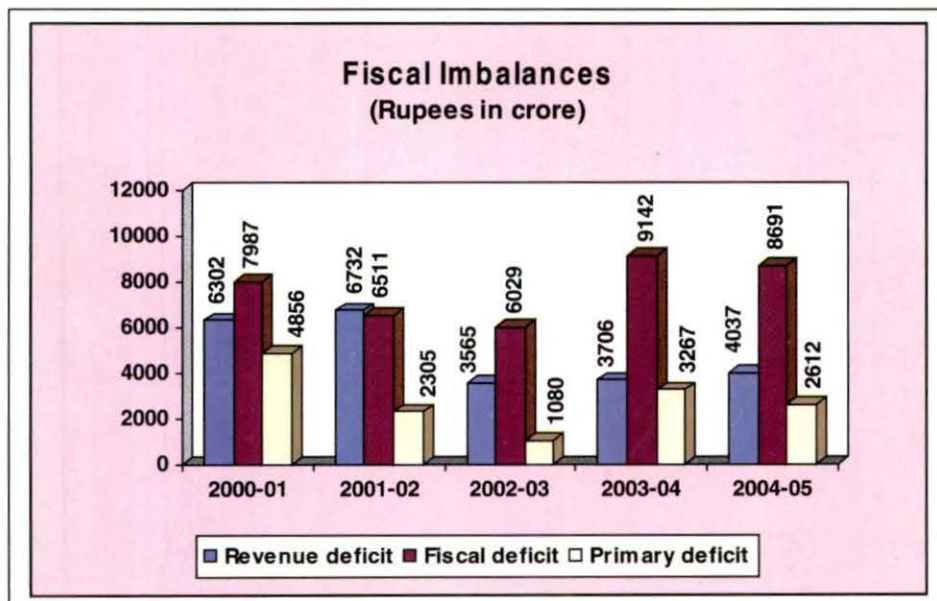
The revenue deficit of the State, which is the excess of its revenue expenditure over revenue receipts increased from Rs.3706 crore in 2003-04 to Rs.4,037 crore in 2004-05. However, the fiscal deficit decreased from Rs.9142 crore in 2003-04 to Rs.8,691 crore in 2004-05. The primary deficit of the state also decreased from Rs.3,267 crore in 2003-04 to Rs.2,612 crore in 2004-05.

Table 23: Fiscal Imbalances – Basic Parameters

(Value: Rupees in crore and Ratios in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue deficit	6302	6732	3565	3706	4037
Fiscal deficit	7987	6511	6029 [@]	9142	8691
Primary deficit	4856	2305	1080 [@]	3267	2612
RD/GSDP	5.81	5.56	2.53	2.21	NA
FD/GSDP	7.36	5.38	4.27	5.46	NA
PD/GSDP	4.48	1.90	0.77	1.95	NA
RD/FD	78.90	103.39	59.13	40.54	46.45

Note: Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (2000-2004) have undergone change from the last Audit Report.
NA – GSDP figure for the year 2004-05 not available (February 2006).



Forty six per cent of the borrowings were utilised for meeting current revenue expenditure.

[@] Figures as mentioned in the Audit Report 2002-03 are revised after adding capital receipts

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 24 below presents a summarised position of Government finances over the period 2000-2005, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratio of revenue receipt and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipt indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. However, the adequacy of the resources could not be assessed for the year 2004-05 as its GSDP figure was not available (February 2006).

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation. The ratio of revenue expenditure to total expenditure had increased continuously till 2001-02 and thereafter decreased nominally in 2002-03 (88.86 per cent), 2003-04 (79.57 per cent) and again increased in 2004-05 (83.39 per cent). The ratio of capital expenditure to total expenditure has shown continuous increase from 7.18 per cent in 2001-02 to 14.07 per cent in 2004-05. The development expenditure in terms of percentage of total expenditure had declined. All these indicate State's dependency on borrowings for meeting its revenue expenditure and inadequate expansion of its developmental activities.

Table 24: Indicators of Fiscal Health (in per cent)

Fiscal Ratio	2000-01	2001-02	2002-03	2003-04	2004-05
Resource Mobilisation					
Revenue Receipt/GSDP	14.51	13.21	12.67	10.90	NA
Revenue Buoyancy	Negative	0.14	0.71	0.11	NA
Own tax/GSDP	8.34	7.64	6.75	6.68	NA
Expenditure Management					
Total Expenditure/GSDP	23.92	20.41	17.10	16.49	NA
Revenue Receipts / Total Expenditure	60.64	64.71	74.09	66.14	69.54
Revenue Expenditure/ Total Expenditure	84.93	91.96	88.86	79.57	83.39
Capital Expenditure / Total Expenditure	11.96	7.18	9.84	12.76	14.07
Development Expenditure/ Total Expenditure (RE + CE)	75.10	70.38	64.49	62.62	63.90
Buoyancy of TE with RR	1.94	(-)3.07	(-)0.20	6.88	0.51
Buoyancy of RE with RR	2.04	1.96	0.48	1.15	0.97
Management of Fiscal Imbalances					
Revenue deficit (Rs. in crore)	6302	6732	3565	3706	4037
Fiscal deficit (Rs. in crore)	7987	6511	6029	9142	8691
Primary deficit (Rs. in crore)	4856	2305	1080	3267	2612
Revenue deficit/Fiscal deficit	78.90	103.39	59.30	40.54	46.45
Management of Fiscal Liabilities (FL)					
Fiscal Liabilities/GSDP	36.88	37.43	37.27	37.59	NA
Fiscal Liabilities/RR	254.20	283.40	294.10	344.58	350.77
Buoyancy of FL with RR	2.12	8.43	1.36	9.39	1.18
Buoyancy of FL with OR	2.40	2.68	4.11	2.85	1.18
Interest spread	(-)9.12	1.71	6.44	8.47	NA
Net Fund Available	20.88	7.28	14.54	14.23	11.21
Other Fiscal Health Indicators					
Return on Investment	0.55	0.55	0.84	0.27	0.28
BCR (Rs. in crore)	(-)4246	(-)6048	(-)2370	(-) 1771	(-) 977
Financial Assets/Liabilities	0.65	0.56	0.55	0.56	0.56

Note: Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (2000-2004) have undergone change from last Audit Report.

NA - GSDP figure for the year 2004-05 not available (February 2006).

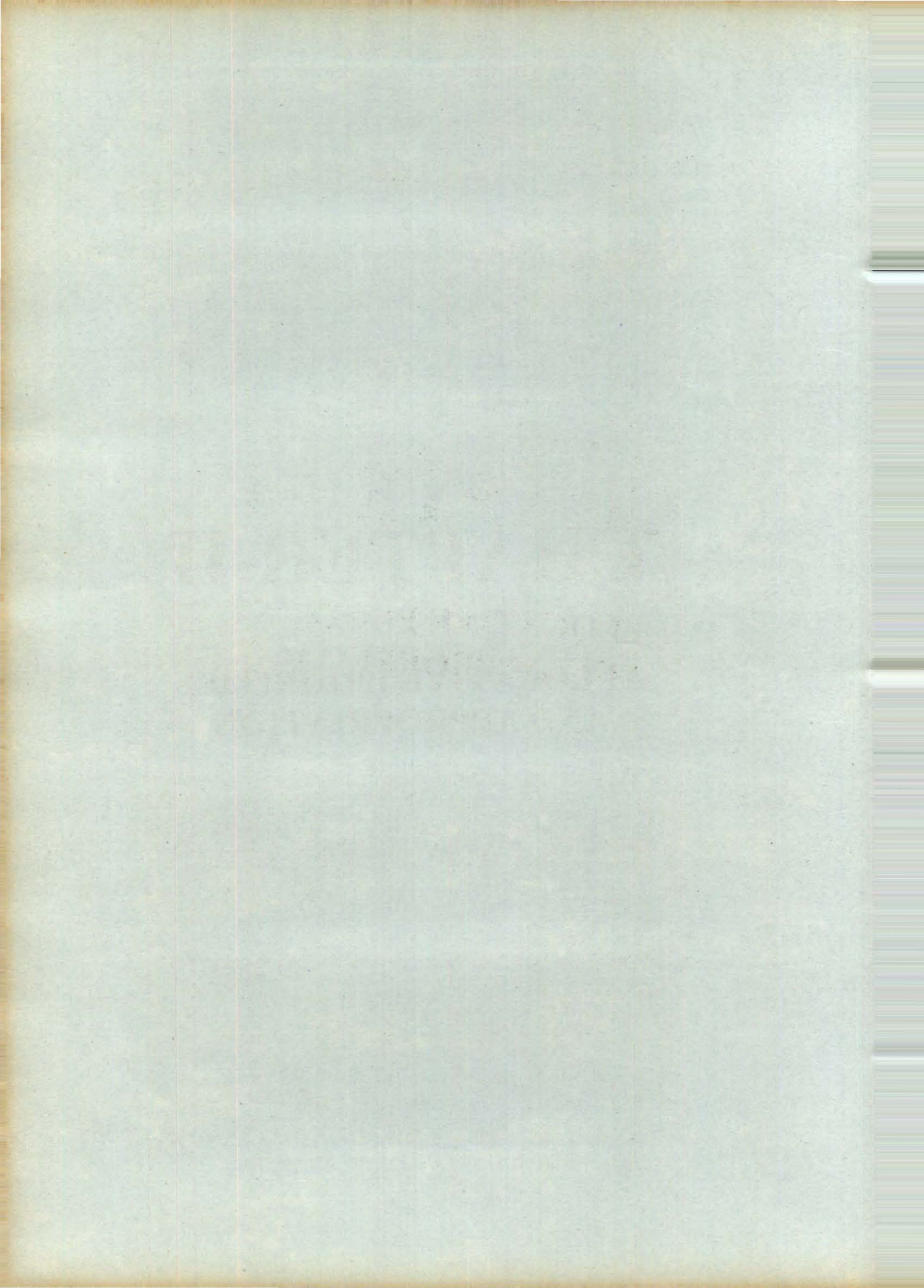
The State has to generate more revenue out of its existing assets or needs to provide from its current revenues for servicing its debt obligations. The State Government has also not taken any steps for pension reforms to meet the fast rising unproductive expenditure on account of pension payable to the retiring employees.

Further, aggravating the situation of the State is the unproductive investment in companies with either nil or negligible returns. The much awaited reforms in the power sector are still to take-off and the State continues to support to this sector in the form of huge subsidy.

The balance of current revenue (BCR) of the State has also continued to be negative. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of funds for additional infrastructure support and other revenue generating investment.

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION



CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure incurred on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2004-05 against Grants/Appropriation was as follows:

(Rupees in crore)					
Nature of expenditure	Original Grants/ Appropriation	Supplementary Grants/ Appropriation	Total Grants/ Appropriations	Actual expenditure	Variation (-) Saving (+) Excess
Voted					
I. Revenue	17973.80	2422.55	20396.35	18457.93	-1938.42
II. Capital	4602.46	1629.56	6232.02	4667.07	-1564.95
III. Loans & Advances	877.48	365.33	1242.81	618.72	-624.09
Total Voted	23453.74	4417.44	27871.18	23743.72	-4127.46
Charged					
IV. Revenue	5965.09	176.75	6141.84	6180.88	39.04
V. Capital	0.85	1.35	2.20	123.12*	120.92
VI. Public Debt (Repayments)	2405.47	5151.92	7557.39	8887.56	1330.17
VII. Inter State Settlement	0.01	-	0.01	-	-0.01
Total Charged	8371.42	5330.02	13701.44	15191.56	1490.12
Grand Total	31825.16	9747.46	41572.62	38935.28	-2637.34

Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 337.01 crore and capital expenditure Rs 569.13 crore.

The overall savings of Rs.2637.34 crore as mentioned above was the net result of savings of Rs.4424.60 crore in 148 cases of grants and appropriations offset by excess of Rs.1787.26 crore in 29 cases of grants and appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations; explanations were not received (October 2005).

* This includes Rs.120.85 crore towards Loans and Advances, which should have been taken under voted instead of drawing by debit to charged expenditure (Refer paragraph 2.7)

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

(i) Analysis of savings with reference to allocative priorities brought out the following:

Grant No. 12 – Energy Projects

(Rupees in crore)

Capital (Voted)	Amount	Total grant	Actual Expenditure	Saving
Original:	301.76			
Supplementary:	172.87	474.63	171.91	302.72

Savings occurred mainly under MH-6801 Loans to Gujarat Electricity Board for Gujarat Power Sector Development Programme (Rs.126.93 crore and Rs.175.80 crore) in the Plan and Non-Plan side.

Grant No. 18 – Other expenditure pertaining to Finance Department

(Rupees in crore)

Capital (Voted)	Amount	Total grant	Actual Expenditure	Saving
Original:	204.20			
Supplementary:	Nil	204.20	1.99	202.21

Savings includes under MH-7610 House Building Advance (Rs.21.87 crore) in the Non-Plan side due to non-finalisation of required documents and revision of estimates.

Grant No. 34 – Other expenditure pertaining to General Administration Department

(Rupees in crore)

Capital (Voted)	Amount	Total grant	Actual Expenditure	Saving
Original:	1087.58			
Supplementary:	Nil	1087.58	545.79	541.79

Savings occurred mainly under MH-4250 Assistance to Disaster Management Authority (Rs.541.18 crore) in the Plan side due to non-completion of works and non-following of tendering procedure in time.

Grant No. 65 – Narmada Development Scheme

(Rupees in crore)

Capital (Voted)	Amount	Total grant	Actual Expenditure	Saving
Original:	809.40			
Supplementary:	1205.40	2014.80	1401.10	613.70

Savings occurred mainly under MH-4701-Share Capital Contribution to Sardar Sarovar Narmada Nigam Limited (Rs.584.66 crore and Rs.278.17 crore) in the Plan side due to non-receipt of permission for extension of height of dam from the Narmada Control Authority.

Grant No. 66 – Irrigation and Soil Conservation

(Rupees in crore)

Revenue (Voted)	Amount	Total grant	Actual Expenditure	Saving
Original:	2287.26			
Supplementary:	22.64	2309.90	353.01	1956.89

Savings occurred under MH- 2701 Interest on Works. Reasons for savings have not been intimated.

Grant No. 86 – Roads and Bridges

(Rupees in crore)

Capital (Voted)	Amount	Total grant	Actual Expenditure	Saving
Original:	541.16			
Supplementary:	348.05	889.21	563.16	326.05

Savings occurred mainly under MH-5054 Original Works (Rs.300.00 crore) and Original Works (Rs.38.43 crore) in the Plan and Non Plan side respectively, reasons have not been intimated.

(ii) In 31 cases, savings exceeding Rupees five crore in each case and/or by more than 10 *per cent* of total provision made amounted to Rs.1173.37 crore as indicated in Appendix X, out of which in four grants i.e. Grant No. 8 – Education (Rs.7.50 crore), Grant No. 19 – Repayment of Debt pertaining to Finance Department and its Servicing Capital (Rs.209.45 crore), Grant No. 44 – Transport (Rs.50.00 crore) and Grant No. 46 – Other expenditure pertaining to Home Department (Rs.5.96 crore) the entire provision totalling Rs.272.91 crore was not utilised.

(iii) Out of 16 cases of saving of Rupees one crore each, in five cases, the entire saving of above Rupees one crore remained un-surrendered and aggregated to Rs.55.80 crore (Appendix XI), whereas in 11 cases even after partial surrender, savings amounting to Rs.164.50 crore (Appendix XII) remained un-surrendered.

2.3.2 Persistent savings

Under two major heads in two grants, there were persistent savings of more than Rs.50 crore in each case and 20 *per cent* or more of provision. Details are given below.

(Rupees in crore)

Grant Number and Major Head	Sub-Head	2002-03	2003-04	2004-05
		Saving (percentage of provision)		
12- Major Head 6801 Loans for Power Projects	Loans to Gujarat Electricity Board for Gujarat Power Sector Development Programme (Plan)	165.00 (100)	414.59 (100)	126.93 (95.44)
34- Major Head 4250 Capital Outlay on other Social Services	Assistance to Disaster Management Authority (Plan)	680.00 (51.63)	770.85 (54.77)	541.18 (49.85)
	Total	845.00	1185.44	668.11

2.3.3 Excess requiring regularisation

o Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.8591.97 crore for the years 1993-94 to 2003-04 as detailed below, had not been regularised so far (September-2005). This was breach of Legislative control over appropriations.

(Rupees in crore)

Year	No. of Grants/Appropriation	Grants/Appropriation No(s)	Amount of excess	Whether reasons submitted to PAC
1993-94	27	4, 6, 9, 13, 18, 20, 31, 32, 39, 43, 44, 45, 47, 52, 61, 65, 66, 71, 80, 81, 82, 84, 85, 86, 97, 98, 100	574.79	Submitted
1994-95	38	4, 6, 10, 13, 15, 19, 21, 24, 26, 30, 39, 42, 43, 45, 46, 49, 50, 52, 53, 57, 61, 63, 65, 67, 68, 73, 77, 78, 79, 82, 83, 84, 86, 87, 92, 94, 95, 98	372.75	Submitted
1995-96	45	1, 3, 4, 5, 8, 9, 10, 12, 20, 22, 24, 37, 38, 40, 42, 43, 44, 47, 48, 49, 55, 56, 58, 59, 60, 61, 64, 66, 67, 72, 73, 78, 80, 81, 83, 84, 85, 86, 87, 88, 89, 90, 91, 101, 102.	564.16	Submitted

Year	No. of Grants/Appropriation	Grants/Appropriation No(s)	Amount of excess	Whether reasons submitted to PAC
1996-97	40	4, 5, 6, 8, 10, 14, 17, 19, 23, 25, 29, 38, 42, 43, 44, 46, 48, 55, 56, 59, 60, 64, 66, 68, 72, 74, 79, 81, 83, 84, 85, 86, 87, 89, 90, 92, 94, 95, 100, 102	534.27	Not Submitted (127.24)
1997-98	38	4, 5, 7, 8, 9, 10, 15, 17, 22, 23, 24, 25, 29, 34, 37, 40, 47, 52, 55, 59, 60, 64, 66, 68, 69, 72, 76, 82, 83, 84, 85, 86, 87, 88, 91, 98, 102	733.90	Not Submitted (731.27)
1998-99	21	7, 8, 10, 12, 19, 24, 25, 35, 44, 47, 51, 55, 66, 73, 74, 80, 82, 83, 84, 86, 88	981.27	Not Submitted
1999-2000	31	4, 7, 8, 9, 10, 17, 18, 19, 22, 23, 42, 51, 55, 56, 60, 66, 67, 68, 74, 77, 78, 79, 80, 81, 82, 84, 86, 87, 88, 90, 94	1295.41	Not Submitted
2000-01	21	6, 7, 8, 9, 12, 21, 23, 25, 35, 38, 42, 46, 66, 67, 74, 77, 80, 81, 86, 88, 94	379.62	Not Submitted
2001-02	13	7, 8, 12, 19, 34, 36, 61, 66, 73, 75, 82, 86, 102	2640.36	Not Submitted
2002-03	17	30, 35, 40, 42, 46, 60, 61, 68, 69, 73, 78, 80, 84, 86, 88, 104 (Voted and Charged)	114.18	Not Submitted
2003-04	26	4, 8, 9, 12, 17, 19, 22, 40, 41, 42, 49, 55, 59, 60, 64, 66, 67, 68, 69, 73, 78, 80, 84, 86, 91 and 105	401.26	Not Submitted
Total	317		8591.97	

◦ *Excess over provisions during 2004-05 requiring regularisation*

The excess of Rs.1787.26 crore under 29 cases of grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given in Appendix XIII.

Reasons for the excesses had not been furnished by the Government as of September 2005.

Of the total excess of Rs.1787.26 crore, the excess under Grant No.12 - Energy Projects and Grant No.19 - Repayment of debt pertaining to Finance Department and its servicing amounted to Rs.1525.51 crore.

2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs.9747.46 crore) made during this year constituted 31 *per cent* of the original provision (Rs.31825.51 crore) as against 55 *per cent* in the previous year.

2.3.5 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs.218.35 crore made in 20 cases during the year proved unnecessary in view of aggregate saving of Rs.2339.80 crore as detailed in Appendix XIV.

In 38 cases, against additional requirement of only Rs.2052.11 crore, supplementary grants and appropriations of Rs.3206.88 crore were obtained, resulting in savings aggregating to Rs.1154.77 crore. Details of these cases are given in Appendix XV.

In seven cases, supplementary provision of Rs.84.01 crore proved insufficient leaving an uncovered excess expenditure of Rs.100.23 crore. Details of these cases are given in Appendix XVI.

2.3.6 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. In 15 cases the re-appropriation of funds proved injudicious in view of final excess and savings over grant by over rupees one crore amounting to Rs.512 crore and Rs.450 crore respectively, as detailed in Appendix XVII and XVIII.

2.3.7 Delayed surrender

In 93 Grants/Appropriations, Rs.4555.67 crore were surrendered in March 2005 indicating inadequate financial control over expenditure. Details are given in Appendix XIX.

2.4 Unreconciled Expenditure

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts and Entitlements) every month. The reconciliation had, however, remained in arrears in several departments and 11 controlling officers did not reconcile their figures. The amount involved was Rs.437.81 crore as on March 2005 as detailed in Appendix XX.

2.5 Defective Re-appropriation

During 2004-05, 148 re-appropriation orders of Rs.1384 crore were issued and of these 134 orders aggregating Rs.1094 crore were issued on 31 March 2005, the last day of the financial year.

2.6 Rush of Expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. The rush of expenditure in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure (Revenue and Capital) for the four quarters and also for the month of March 2005 is depicted in Appendix XXI which shows that the expenditure incurred in March 2005 in 43 cases ranged between 30 and 100 per cent of the total expenditure during the year, indicating a tendency to utilise the budget at the close of the financial year.

2.7 Budgetary Control

In 39 cases, expenditure aggregating Rs.2641.97 crore exceeded the original provisions by Rupees one crore or more in each case and also by more than 10 per cent of the total provisions. Details are given in Appendix XXII.

As envisaged in Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs.482.07 crore was incurred in seven cases as detailed in Appendix XXIII without any provision in original estimates/supplementary demand and without any re-appropriation orders to this effect. This includes two cases, where expenditure of Rs.120.85 crore has been incurred towards loans and advances under Capital charged instead of Capital voted in Grant No.12 Energy Projects (Rs.118.48 crore) and Grant No.73 Other Expenditure pertaining to Panchayats, Rural Housing and Rural Development Department (Rs.2.37 crore).

2.8 Personal Ledger Accounts/Bank Accounts

Bombay Treasury Rules (BTR) as adopted by Government of Gujarat provides that PLAs opened by debit to the Consolidated Fund were to be closed at the end of financial year. Withdrawal of funds from treasuries to avoid lapse of budget and keeping them in bank/personal ledger accounts is prohibited.

Against the technical sanction of Rs.5.16 crore for survey work for preparation of detailed feasibility report for construction of Kalpasar Project, the Government placed Rs.15 crore during 2003-05 at the disposal of Water and Land Management Institute (WALMI), out of which, WALMI spent only Rs.4.32 crore during 2003-05 leaving an unspent balance of Rs.10.81 crore in savings bank account including interest accrued as of March 2005.

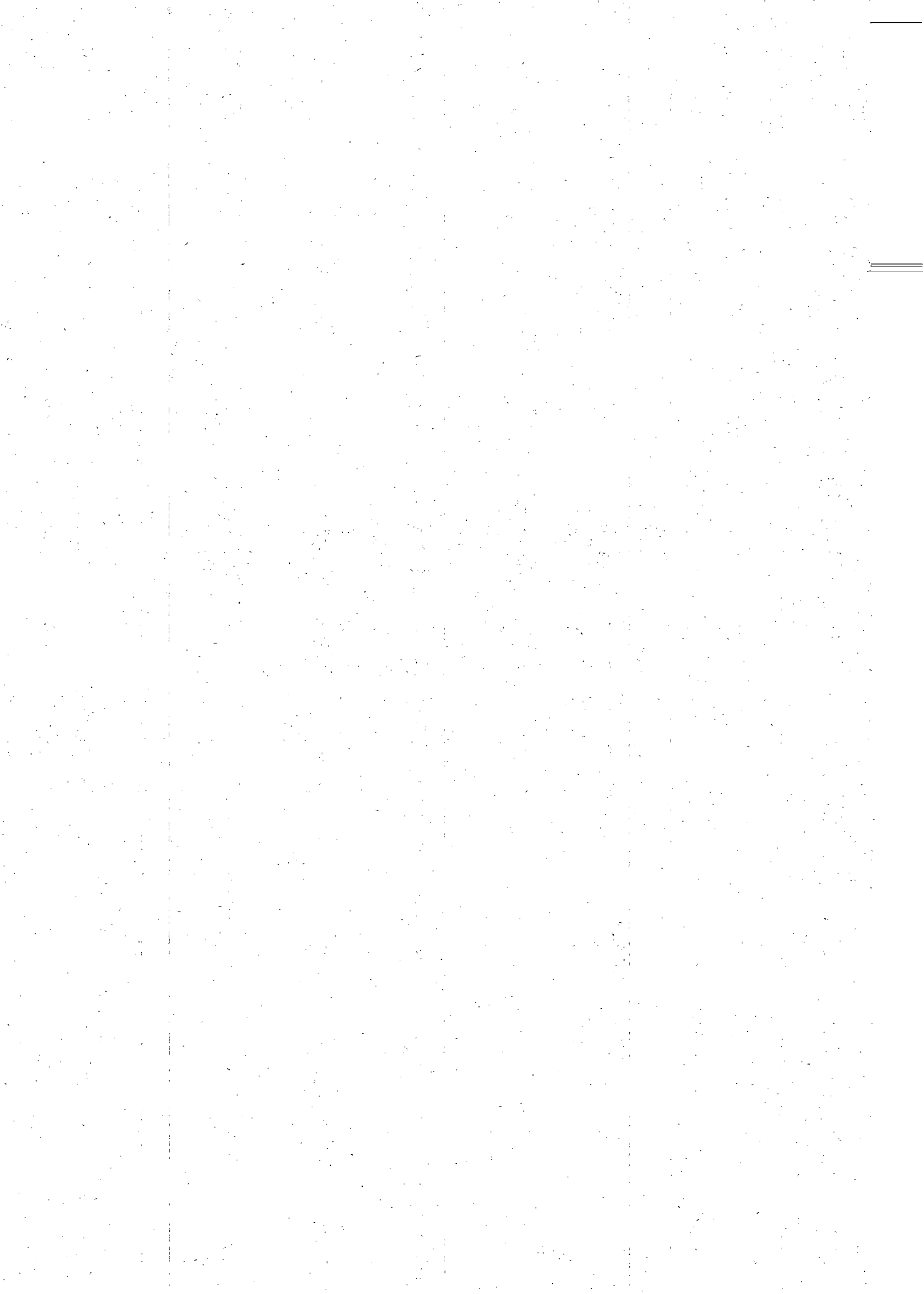
2.9 Audit of Abstract and Detailed Contingent Bills

As per the provisions of the BTR, 1960 and instructions issued by the State Government, DC Bills are required to be submitted in respect of each AC Bill to the Accountant General (Accounts and Entitlement) Gujarat, Rajkot by Drawing and Disbursing Officers within three months from the date of drawal of AC Bills.

The amount drawn on AC Bill should be utilised by the Drawing and Disbursing Officer for the purpose for which the drawal was made. Test check of abstract contingent (AC) Bills and detailed contingent (DC) Bills in departments revealed that Rs.3.38 crore were drawn on 312 AC Bills between March 2000 and March 2005 as shown in Appendix-XXIV, of which 31 DC bills amounting to Rs.0.11 crore have not been submitted as of August 2005. The delay in submission of remaining DC bills ranged between one and 61 months.

CHAPTER-III

PERFORMANCE REVIEWS



CHAPTER-III

PERFORMANCE REVIEWS

This Chapter contains three performance reviews on Implementation of Consumer Protection Act and Rules thereof, Sardar Sarovar Narmada Canal based Bulk Water Transmission Project and Gujarat Maritime Board.

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

3.1 Implementation of Consumer Protection Act and Rules thereof

Highlights

Implementation of Consumer Protection Act, 1986 intended to provide easy, simple, speedy and inexpensive redressal to the consumers' grievances was not satisfactory. Government had not declared any policy outlining various programme objectives intended to achieve through specific schemes. There was delay of two to 18 years in setting up of Consumer Courts. Recruitment Rules for staff in the consumer courts were not framed. Various schemes intended to create awareness among the consumers were not successful. District Consumer Information Centres were established in only eight districts. Some of the significant findings of the review are given below:

Government had not created separate department to ensure that consumer protection programmes got focussed attention for protecting and promoting the welfare of the consumers.

(Paragraph 3.1.5)

There was delay of two to six years in establishing the District Forums. District Forums were not established in newly created six districts in November 1999. In Dangs district, District Forum had not been established even after 18 years of notification of the Consumer Protection Act.

(Paragraph 3.1.6)

Adequate infrastructure facilities, such as buildings, drinking water, furniture, etc. were not available with the State Commission and in test checked District Forums.

(Paragraphs 3.1.9 and 3.1.10)

During 2000-05, against available fund of Rs.1.23 crore, Rs.30.17 lakh only were disbursed by the Director, Consumer Awareness Protection Agency of Gujarat amongst 30 Consumer Protection Mandlis. Rupees 92.82 lakh (including interest) were invested in fixed deposits for one/two years with the Gujarat State Financial Services Limited during April 2003 to May 2005.

(Paragraph 3.1.13)

District Consumer Information Centres were set up only in eight out of 25 districts during 2001-05 and that too after delays ranging from one to four years.

(Paragraph 3.1.14)

The posts of President were vacant in three District Forums since their creation and that of Member in six District Forums.

(Paragraph 3.1.18)

3.1.1 Introduction

To provide better protection for the interest of the consumers by simple, speedy and inexpensive redressal to the consumers' grievances in relation to goods purchased and services availed, the Government of India (GOI) has enacted the Consumer Protection Act, 1986 (CP Act). The CP Act came into effect from 1987¹ after the GOI framed the Consumer Protection Rules, 1987. In pursuance of powers vested under the CP Act, the State Government notified (February 1988) Gujarat Consumers Protection Rules, 1988. The CP Act provides for establishment of separate three-tier quasi-judicial consumer disputes redressal machinery at National, State and District levels called the Consumer Dispute Redressal Agencies. They are commonly known as Consumer Courts and at the district levels as District Forums (DF). The responsibility of setting up of the State Commissions and the DFs and to ensure their effective functioning rests with the State Government. These agencies have been empowered to give relief to the consumers by awarding compensation. The CP Act was amended in 2002 to discourage adjournments, allow senior most member to preside during absence or vacancy of President, empowering courts to punish those disobeying orders of the courts to facilitate quicker disposal of the complaints.

3.1.2 Organisational set up

The Principal Secretary, Food, Civil Supplies and Consumer Affairs Department is responsible for implementation of Act and Rules thereof at the State level. The Director of Consumer Affairs cum Controller of Legal Metrology, Ahmedabad (DCA), assisted by two Deputy Controllers and 17 Assistant Controllers implements the consumer awareness programmes. At district level, the Additional Collectors have been designated as Nodal

¹ Chapter I, II and IV of the CP Act came into force with effect from 15 April 1987 and Chapter III from 1 July 1987

Officers for consumer activities and the District Civil Supplies Officers perform the duty of the District Consumer Protection Officers. The President of the State Commission i.e. Consumer Dispute Redressal Commission, Ahmedabad (CDRC) is the head of department of the Consumer Forums and is assisted by a Registrar and Presidents of 19 DFs in discharging his functions.

3.1.3 Audit objectives

The audit review on the implementation of the CP Act and the Rules relating to Consumer Protection was conducted to assess whether:

- the adjudication mechanism had been created as prescribed;
- any documented policy for achieving the intended objectives and strengthening of infrastructure exist;
- rules governing issues of implementation of the Act had been formulated;
- the infrastructure created for disposal of the complaints met the expectation of the consumers and fulfilled the purpose of the enactment of the Act;
- Consumer Protection Councils had been notified and were functioning;
- a uniform plan for staffing and operation had been prescribed and being adhered to in staffing and operation of the DFs and the State Commission;
- various steps and initiatives including schemes by the GOI/State Government had succeeded in creating awareness amongst the populace;
- adequate system of monitoring of the grievances of consumers had been created with a view to ensuring their timely disposal.

3.1.4 Audit coverage

Records relating to implementation of the CP Act and Rules thereof in relation to the consumer protection maintained at the Food, Civil Supplies and Consumer Affairs Department, DCA, Consumer Affairs Protection Agency of Gujarat (CAPAG), CDRC, six Forums² out of 19 DFs and six Consumer Protection Mandlis³ (CPM) covering the period 2000-05 were reviewed during May-August 2005. ORG-MARG, an independent agency, was also engaged for a nation wide survey and study on the subject and to assess the level of awareness and impact of the CP Act on consumers, manufacturers and service providers, Non Governmental Organisations (NGOs) and appropriate laboratories. The engagement of ORG-MARG for survey was intimated to the State Government in June 2005. The findings are incorporated in this review at appropriate places. Executive summary of the findings is given as Annexure to this review.

² Ahmedabad (City), Ahmedabad (Rural), Mehsana, Nadiad, Rajkot and Surat

³ Consumer Protection Mandlis are NGOs engaged in consumer protection activities. They are: (1) Consumer Education and Research Society, Ahmedabad; (2) Bhavnagar Grahak Suraksha Mandal, Bhavnagar; (3) Consumer Protection Association, Himatnagar; (4) Rajkot Sahar / Zilla Grahak Suraksha Mandal, Rajkot; (5) South Gujarat Consumer Protection Education and Research Centre, Surat and (6) Jagrut Grahak, Vadodara

Audit Findings

Creation of Adjudication Mechanism

3.1.5 Non-creation of Consumer Affairs Department

Government of India had directed (November 1998) all the State Governments to create separate nodal Department for consumer affairs responsible for promoting consumer awareness. However, after lapse of 11 months, the Government created (October 1999) a Directorate of Consumer Affairs at Gandhinagar without any field office at district/taluka level. The Directorate was subsequently merged (July 2004) with the Controller of Legal Metrology, Ahmedabad so as to monitor the consumer activities at district/taluka level by engaging the administration of Legal Metrology in addition to their regular responsibilities. Resultantly focussed attention for consumer protection and awareness programmes for the welfare of consumers was not ensured.

3.1.6 Delay in establishment of the State Commission and DFs

Delay in establishing the District Forums

The CP Act envisages a three tier grievance redressal system of National Commission, State Commission and DFs. State Government was to establish the State Commission and one or more DF in each district. In the DFs, claims up to Rs.20 lakh are dealt with whereas the State Commission deals with claims above Rs.20 lakh and upto Rupees one crore and appeal cases from lower courts. Claims above Rupees one crore and appeal cases from the State Commission are decided in the National Commission. However, the State Commission and 19 DFs⁴ in 18 districts were established between March 1989 and August 1990 after lapse of one year and eight months to three years and one month from the date of notification (July 1987) of the CP Act. Of these, 18 DFs⁵ functioned with only one active member for periods ranging from nine to 12 years till 1999-2001. DFs were not established in Dangs district even after 18 years of notification of the CP Act and in six new districts⁶ created in November 1999. Registrar (CDRC) stated (May 2005) that three DFs were being established in three districts⁷.

3.1.7 Delay in creation of Circuit Benches

To cover the vast geographical territory and to reach out to the consumers, mechanism of Circuit Bench, where the State Commission performs its functions at different places, was introduced (2002) vide Sections 17B and 22(C) of the CP Act. However, orders for constituting three Circuit Benches were issued by the Government only in March 2005, i.e. after lapse of three years. Thus, despite availability of enabling provisions in the CP Act, consumers were denied the benefit of Circuit Benches for three years.

How the consumers perceive the Governments' inaction to increase the capacity of the State Commission and the DFs to deal with more cases came

⁴ Including one additional DF in Ahmedabad District (Rural)

⁵ Ahmedabad (Rural), Amreli, Banaskantha, Bharuch, Bhavnagar, Gandhinagar, Godhra, Himatnagar, Mehsana, Nadiad, Jamnagar, Junagadh, Kutch-Bhuj, Rajkot, Surendranagar, Surat, Vadodara and Valsad

⁶ Anand, Dahod, Narmada, Navsari, Patan and Porbandar

⁷ Anand, Navsari and Patan

out in the survey conducted by ORG-MARG. They reported that almost 78 per cent of the consumers responded either that the Government was not doing enough to safeguard consumer rights or that they were not aware of such efforts by the Government.

Formulation of Policy and Notification of Rules

3.1.8 Non declaration of policy

Government had not declared any policy outlining objectives intended to achieve through specific schemes

Government had not declared any policy outlining various programme objectives intended to be achieved through specific schemes for creation and strengthening of infrastructure of the adjudication mechanism, greater involvement of the State/District Administration/NGOs and for empowerment of the consumers.

Recruitment Rules had not been framed

Rules governing issues of implementation of the CP Act were notified in February 1988. These Rules contained various provisions governing the service conditions of president/members of the State Commission and DFs but rules governing the staff including their recruitment rules were not framed as of March 2005.

In absence of a documented policy the objectives of the CP Act that were set out to achieve remained unfulfilled.

Results of ORG-MARG survey revealed that 36 per cent of the complainants filed their complaints using stamp papers on the advice of Advocates/agents although the CP Act provides for a simple registration process with an application filed on plain paper. Further, 31 per cent of complainants who registered their complaints prior to March 2003 had deposited court fee notwithstanding the fact that the court fee was introduced in March 2003. Such wrong procedure and incorrect ideas of the consumers can be attributed to the failure to prescribe and disseminate clear rules and guidelines for the public.

Infrastructure

3.1.9 Consumer Courts accommodated in rented buildings

According to the CP Act, the responsibility of setting up of the State Commission and DFs rested with the State Government and as such the Government was to provide adequate infrastructure and facilities for the functioning of CDRC and DFs. However, buildings for the CDRC and two DFs⁸ were not constructed and were being run in hired buildings. Government spent Rs.1.12 crore on rent of these buildings from March 1990 to March 2005. Absence of a proper building also makes it more difficult for consumers in general to become aware of the existence and the location of the redressal agency.

⁸ Jamnagar and Junagadh

Results of ORG-MARG survey revealed that only six *per cent* of the consumers were aware of the existence of any redressal agency and even out of those who were aware of the CP Act, 50 *per cent* were not aware of the location of the consumer forum in their respective districts.

3.1.10 Inadequacy of infrastructure in CDRC and DFs

Lack of amenities in CDRC and DFs

The CDRC is situated in residential area far from Railway/Bus stations. Adequate facilities *viz.* drinking water, furniture, etc. were not available causing hardship to the consumers. Registrar (CDRC) stated (August 2005) that these problems would be taken care of as soon as the Government accommodation earmarked for CDRC is allotted.

Inadequacy of infrastructure was also noticed in five⁹ out of six selected forums. Inadequacy of furniture in the waiting lounge for the complainants was noticed in Ahmedabad (City), Mehsana and Nadiad Forums and computers were not available in Ahmedabad (Rural) and Nadiad Forums. Drinking water facilities were not available in Nadiad and Surat districts and record rooms were not available in Mehsana and Nadiad districts.

Thus, the Government failed to ensure that adequate facilities were available at CDRC and DFs as required by the CP Act which hampered efficient functioning of the DFs. The President of CDRC stated (August 2005) that the process of making available appropriate premises for CDRC/Forums was slow and lack of infrastructure adversely affected the functioning of the consumer courts.

Consumer Protection Councils

3.1.11 Functioning of Consumer Protection Councils

Details of dates of setting up of CPC and dates of meetings were not available

Under the provisions of Section 7(1) of the CP Act, the State Government was to establish State Consumer Protection Council (SCPC) with the objective to promote and protect the rights of the consumers as laid down in clauses (a) and (f) of Section 6 of the CP Act. Scrutiny revealed that Notifications for constitution of SCPC was issued in January 1988.

Similarly, according to Section 8A (1) of the CP Act as amended in 2002, District Consumer Protection Council (DCPC) was to be established for every district. However, notification for constitution of DCPC was issued in January 2004, after two years, empowering the Collectors of the respective districts to make appointment of Non-Government Members. However, the records relating to formulation SCPC and DCPC, dates of meetings, minutes of meetings/the records of business transactions and the recommendations made were not available with the Department.

⁹ Ahmedabad (City), Ahmedabad (Rural), Mehsana, Nadiad, and Surat

Awareness and empowerment of Consumers

3.1.12 Consumer Welfare Fund

A Consumer Welfare Fund (CWF) was established (November 1992) by the GOI to which the amounts due for refund under Central Excise and Salt Act, 1944 which could not be refunded to the manufacturers were credited. In August 2004, the GOI instructed the State Government to establish a CWF for the State. However, the State Government had not established a CWF (March 2005). Resultantly adequate fund could not be made available to various activities for generation of awareness.

3.1.13 Functioning of NGOs

The DCA and CAPAG carried out various consumer awareness programmes like holding of exhibitions, seminars, distribution of pamphlets, etc. and recommending NGOs engaged in consumer protection activities for recognition and providing financial assistance to NGOs i.e. Consumer Protection Mandlis (CPM). A scheme for providing recognition and financial assistance to CPMs engaged in consumer protection activities was introduced by the Government in October 1972. The scheme was amended in March 1986 and again in June 2003 enhancing the ceiling of assistance to CPMs. Accordingly, CPMs established at Taluka, District and Municipal Corporation levels were entitled to assistance up to Rs.60,000, Rs.80,000 and Rs.1.00 lakh respectively. The State consists of 25 districts, 225 talukas, and six Municipal Corporations. As such at least 256 CPMs were to be recognized by the Government to cover all the geographical area. As against this, only 53 CPMs were recognized and of these 30 CPMs were assisted by the Government up to March 2005. Further, out of 30 CPMs assisted, 23 CPMs were at district level, of which eight were located in Ahmedabad district alone, and seven were at taluka level. Thus, even after 33 years of introduction of the scheme, the Government could not recognise and assist adequate CPMs to protect the interest of the consumers throughout the State and the funds available for this purpose were not utilised fully.

Out of Rs.1.23 crore received during 2000-05, only Rs.0.30 crore were disbursed and Rs.0.93 crore were invested in fixed deposits

Out of Rs.122.55 lakh received by the Director, CAPAG during 2000-05, only Rs.30.17 lakh were disbursed to 30 CPMs. The amount of assistance ranged from Rs.580 (one CPM) to Rupees one lakh (two CPMs). Director, CAPAG instead of returning the unutilized balance of Rs.92.82 lakh¹⁰ to the Government, invested the same in fixed deposits for one/two years with the Gujarat State Financial Services Limited. (GSFS) during April 2003 to May 2005. Director stated (May 2005) that according to the directives (July 1995) of the Government, unutilised amount was to be parked with GSFS to earn interest. This indicated that the Government/Director has given priority to earning interest on unutilised fund rather than ensuring utilisation of the fund by evolving suitable programmes to strengthen the CPMs to make it effective in the field of consumer awareness. DCA attributed non-payment of grant to non-fulfillment of conditions viz. furnishing of audit reports and utilisation

¹⁰ Including interest of Rs.44,000

certificates, etc. as provided in the Government Resolution of June 2002 and June 2003, by CPMs.

ORG-MARG survey also revealed that only 1.3 *per cent* of the consumers learnt about the CP Act through NGOs. Thus lack of activities had an adverse impact on the cause of consumer awareness through CPMs in the State.

3.1.14 District Consumer Information Centre

District Consumer Information Centre (DCIC) was to function as information, resource and guidance centre with financial assistance from the National Consumer Welfare Fund, in each district through Panchayati Raj Institutions like, Zilla Parishads and NGOs. The scheme provided for financial assistance of Rs.5 lakh to be allotted in three installments, Rs.2.50 lakh in first year, Rs.1.75 lakh in second year and Rs.0.75 lakh in third year.

DCICs were set up only in eight districts

DCICs were to be set up in all districts of the State. However, in only eight¹¹ (32 *per cent*) out of 25 districts, NGOs were approved by the Government for setting up of DCIC during 2001-2005, after delays ranging from one (three DCICs) to four years (four DCICs). Thus, the intended benefit of the programme initiated for involvement of NGOs for strengthening of consumer groups and creation of awareness remained largely unaccomplished.

3.1.15 Non formulation of media policy

The success of the consumer movement mainly depends upon the level of consumer awareness generated to educate the consumers about their rights and responsibilities. Government did not formulate any media policy, for dissemination of information pertaining to awareness about the CP Act, mechanism for filing of complaints and procedure of adjudication including location of DFs, State Commission, etc. through advertisement in electronic and print media.

Result of ORG-MARG survey revealed that 76 *per cent* of the consumers at large were not aware of the consumer rights and 84 *per cent* were unaware of the CP Act. The CP Act envisaged to benefit all the consumers in urban and rural areas, only 14 *per cent* of rural population was aware of the CP Act and only six *per cent* were aware of the existence of any redressal agency. Almost all complainants resided in urban areas and majority (99 *per cent*) were educated lot and earned monthly household income of Rs.9,021. This implied that facilities provided by redressal agencies were availed of mostly by the residents of urban areas.

Despite implementation of various schemes the consumers in rural/urban areas were not fully aware of their rights and duties

DCA admitted (June 2005) that despite implementation of various consumer awareness programmes *viz.* exhibitions, seminars, distribution of pamphlets, etc, the consumers in both rural and urban areas were not fully aware of their rights and duties; Traders/distributors were not following the rules relating to the consumer protection and were taking undue advantage of the negligence of the consumers by not issuing receipts/cash memos for the goods

¹¹ Bhavnagar, Kachh-Bhuj, Patan, Panchmahal, Rajkot, Sabarkantha, Surat and Vadodara

purchased/services availed of by them and refusing to accept the goods returned.

Monitoring Mechanism

No mechanism was evolved to monitor the implementation of the schemes/programmes under the CP Act

3.1.16 Government had not evolved any mechanism to monitor the implementation of the schemes/programmes under the CP Act. In the absence of an efficient monitoring mechanism, the Government could not ensure that the implementation of the Act and Rules thereof was in consonance with the legislative intent.

3.1.17 Filing and Disposal of cases

The CP Act provides that disposal of complaints should be made within three months wherein no laboratory checks were required and in cases where laboratory checks are required, disposal should be made within five months. Scrutiny revealed that as of March 2005, 24,427 cases were pending with CDRC and 19 DFs, age-wise break-up was as under:

As of March 2005, 7,061 and 17,366 cases were pending with CDRC and 19 DFs respectively

	CDRC	DFs	Total
Total cases admitted	21,281	95,302	1,16,583
Total cases outstanding	7,061	17,366	24,427
Cases outstanding upto six months	5,279	4,647	9,926
Cases outstanding for more than six months upto one year	79	4,260	4,339
Cases outstanding for more than one year upto three years	117	2,859	2,976
Cases outstanding for more than three years	1,586	5,600	7,186

As of March 2005, pendency of cases in the test checked DFs ranged between 160 (Ahmedabad (Rural)) and 2,590 (Ahmedabad (City)).

The Registrar (CDRC) attributed the pendency to (i) acute shortage of staff, (ii) vacancy of the posts of President in some DFs for long duration, (iii) vacancy of the post of members of DFs in absence of whom, cases could not be heard and (iv) absence of parties concerned.

3.1.18 Redressal of complaints

In three¹² DFs, the posts of Presidents were vacant since the creation of these Forums and Presidents of adjoining districts were given charge for functioning. The posts of Member were vacant in six¹³ DFs since inception of the forum. In three¹⁴ DFs, women members were not appointed as required under the CP Act. Thus, these DFs were only partially functional. This further aggravated the pendency complaints. Registrar (CDRC) stated (August 2005) that the delay in appointment of Presidents and Members was due to non-receipt of approval from the Government. Prolonging of the cases works against the basic objectives of the CP Act and increases the cost of litigation which also is against the basic tenet of the CP Act.

¹² Jamnagar, Junagadh and Valsad

¹³ Ahmedabad(Rural), Amreli, Banaskantha, Bharuch, Mehsana and Surendranagar

¹⁴ Ahmedabad City, Mehsana and Amreli

An analysis of the time taken at various stages of the cases during the ORG-MARG survey showed that on an average 2.3 days were spent for registering a case and about 44 days were taken for serving the notice, the first hearing was held after 27 days after serving the notice. On an average 8.9 hearings were required to resolve the case. Around 66 *per cent* of cases were still unresolved even after almost 6.1 hearings and most of these cases were against insurance (35 *per cent*). Further, analysis of data revealed that to resolve a case on an average 14 months were spent. Results of survey further revealed that on an average, the complainant had to spend Rs.3,300 to resolve the case. For the complainants who hired advocates, the mean of lawyers' fee was Rs.3,966. The survey further revealed that majority of the complaints were against services (91 *per cent*) such as insurance services (30 *per cent*), other financial services (22 *per cent*) and banking (19 *per cent*). This may imply that competition in the product market takes care of the consumer problems but in case of monopolistic situation the consumer has to approach consumer redressal agencies to seek relief against the Government owned service providers, agencies, public utility concerns, boards and organisations.

3.1.19 Computer Networking

Consumer Courts were to be interlinked by computer network to monitor and access various kinds of data and to ensure effective and transparent functioning in the interest of the consumers. However, computerisation process had not commenced (March 2005). Registrar (CDRC) stated (August 2005) that the matter was under correspondence with the National Informatics Centre, New Delhi.

3.1.20 Conclusion

Government had not developed a system to ensure that the consumer protection programmes get focussed attention for protecting and promoting the welfare of the consumers. District Forums were created only in 18 out of 25 districts and there was delay ranging from two to 18 years in setting up of these DFs. As of March 2005, 24,427 cases were pending with CDRC and 19 DFs. Computerisation/networking programme had not commenced. Government had not declared any policy outlining various programme objectives intended to be achieved through specific schemes for generation of consumer awareness. District Consumer Information Centres were set up only in eight out of 25 districts.

3.1.21 Recommendations

For effective implementation of the CP Act and Rules thereof in relation to consumer protection, the Government should

- evolve a suitable mechanism for exclusively promoting consumer awareness and empowerment of consumers and expeditiously to take up various schemes for this purpose;
- vacancies in the District Forums should be filled up expeditiously;

- Adequate number of District Forums and Circuit Benches should be established urgently;
- Adequate infrastructure for the consumer courts should be provided to make it effective;
- To promote awareness District Consumer Information Centres should be set up urgently in the districts where it is not established yet.

Annexure
(Reference Paragraph 3.1.4)

EXECUTIVE SUMMARY

In order to gain an understanding of the functional status of the Consumer Protection Act Consumers at large, Complainants, manufacturers /service providers, NGOs and appropriate laboratories were covered under the survey. In state of Gujarat a total of 1952 consumers spread across urban and rural areas were interviewed after making contacts with 2453 eligible respondents. Besides 70 complainants, 10 manufactures/ service providers, 3 NGOs and 2 laboratories were interviewed. The survey was conducted during second week of July to fourth week of August 2005.

FINDINGS OF THE SURVEY

Overall 54 *per cent* of the Consumers at large gave importance to knowing the Consumer Protection Act (CPA) but 76 *per cent* not aware of consumer rights and 84 *per cent* still unaware of Consumer Protection Act.

The act is envisaged to benefit all the consumers in urban and rural areas but only 14 *per cent* of the rural population has heard about it.

In response to, whether the government is making any effort in safe guarding the consumer rights, only 22 *per cent* replied positively remaining either carrying negative or have no idea of the same.

Formal source of awareness - electronic and print media stand at 73 and 44 *per cent* respectively and only 1.3 *per cent* learnt about CPA from the NGOs.

Nearly half of the aware Consumers at large (50 *per cent*) have come to know about the act only in the last 4 years where as the act has been in existence for past 19 years.

Overall, only 6 *per cent* reported to be aware of the existence of any redressal agency. Awareness on this among those aware of rights and CPA was obvious higher.

Around 50 *per cent* aware of CPA did not know the location of the redressal agency in their respective district.

Almost all complainants resided in urban areas and majority (99 *per cent*) were the educated lot and earned a monthly household income of Rs.9021/-. This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle /upper middle strata of the community.

Majority of the complaints were against services (91 *per cent*) such as Insurance services (30 *per cent*), other financial services (22 *per cent*) and banking (19 *per cent*). This may imply that competition in the product

market takes care of the consumer problems but in case of monopolistic situation the consumer has to approach consumer redressal agencies.

Like consumer at large, nearly two third of complainants (72 per cent) came to know about the redressal agencies through friends / neighbors. Electronic media (23 per cent) and print media (56 per cent) were the other sources of awareness regarding redressal agencies. NGOs not a popular source of awareness (2.9 per cent overall).

Nearly 36 per cent of the complainants used stamp paper to file the case and in nearly 48 per cent of cases the lawyers /agents advised them to do so.

Around 31 per cent of complainants who registered their complaints prior to March 2003 reported to have deposited court fee notwithstanding the fact that the court fee was introduced only in March 2003.

An analysis of time taken at various stages of the cases show that on an average 2.3 days were spent for registering a case and about 44 days were taken for serving the notice, first hearing was held after 27 days after serving the notice.

On an average 8.9 hearings were required to resolve the case. Around 66 per cent cases were still unresolved even after almost 6.1 hearings and most of these cases were against insurance (35 per cent).

To resolve a case on an average 14 months were spent. In case of unresolved cases the same were pending for past 25 average months.

There were 7 cases where the decree was passed and compensation was yet to be received. On an average the compensation was due for 10.3 months. For those who received compensation the same was received within an average period of 1.5 months.

On an average the complainant had to spend Rs.3300/- to resolve the case. For complainants who hired advocates, the mean of lawyers fee was Rs.3966/-.

The manufacturers and service providers were well aware of CPA and most of them had formal mechanism to deal with cases in consumer court on the contrary not many Consumers at large were aware of Act or the redressal system.

The NGOs were involved in spite of activities such as consumer education, advocacy, organizing seminars /camps etc. They are also facilitating the consumers in filing cases and act as agents, thus helping them in complaint redressal.

Overall all the stakeholders and the complainants perceive the redressal as simple but not very speedy.

NARMADA, WATER RESOURCES, WATER SUPPLY AND
KALPSAR DEPARTMENT

3.2 Sardar Sarovar Narmada Canal Based Bulk Water
Transmission Project

Highlights

Sardar Sarovar Narmada Canal Based Bulk Water Transmission Project aimed at providing assured safe drinking water to scarcity-hit Saurashtra and Kachchh regions. The master plan envisaged distribution of water through regional and group water supply schemes. The Project commenced in 1999-2000 was scheduled to be completed by 2002, but, was lagging behind due to defective planning and lack of co-ordination among different agencies. Water was being supplied only to 31 per cent of the projected villages and large number of villages and towns had to rely on local sources/water tankers. Some of the significant points noticed in audit are as follows:

Obtaining loan from commercial bank instead of Housing and Urban Development Corporation proved costlier by Rs.17.37 crore.

(Paragraph 3.2.7.1)

Only 29 per cent of installed capacity of water was used and only 415 of 1,342 targeted villages/towns were covered (31 per cent).

(Paragraph 3.2.8.3)

Non-adoption of standard bidding documents resulted in termination of contract with a cost overrun of Rs.125 crore and delay in execution of works in Jamnagar district.

(Paragraph 3.2.9.1)

Improper clause in the contract led to acceptance of surplus stores of Rs.48 lakh and avoidable payment of Rs.5.46 crore on awarding of works on turnkey basis.

(Paragraphs 3.2.9.2 and 3.2.9.3)

Failure to verify credential of the bank guarantee before its acceptance resulted in loss of Rs.1.04 crore.

(Paragraph 3.2.9.4)

Irregular payment of Rs.2.11 crore was made to a contractor on excise duty and transportation of steel plates.

(Paragraph 3.2.10.4)

3.2.1 Introduction

Gujarat State has a long history of droughts and the regions of Saurashtra, Kachchh, North Gujarat and Panchmahals were susceptible to drought and water scarcity and according to the Government estimates (2000-01) around 9,500 villages, four cities and 79 towns faced acute water shortage for basic human needs in these drought susceptible regions of the State.

To provide safe drinking water to scarcity hit regions, Narmada Tribunal, in its award allocated 1.06 Million Acre Feet (maf) (3,571 million litres a day (mld)) water from the Sardar Sarovar Project (SSP) for domestic and industrial use; of which 0.86 maf (2,921 mld) was reserved for drinking water needs of 8,215 villages and 135 urban centers. Government, therefore, conceived (1999-2000) an ambitious drinking water supply master plan 'Sardar Sarovar Narmada Canal Based Bulk Water Transmission Project' (Project) with Sardar Sarovar Narmada Canal as the source of water. The execution of work under the Project commenced during 1999-2000 and was scheduled to be completed by 2002.

3.2.2 Project objectives

The Project aims at supplying 3,571 mld water for domestic and industrial use for Saurashtra, Kachchh, North Gujarat and Panchmahals covering projected population of 290 lakh by 2021 (in 8,215 villages and 135 urban centers). The Project envisages transmission of bulk water through pipelines and its distribution in the Project areas.

3.2.3 Organisational set up

Secretary, Water Supply in Narmada Water Resources, Water Supply, and Kalpsar Department is responsible for overall implementation of the Project. While Gujarat Water Infrastructure Company Limited (GWIL) formulated the Project based on Malia branch canal, Gujarat Water Supply and Sewerage Board (GWSSB) and GWIL were jointly responsible for execution of the Project. Out of 13 sub projects selected for review five (NC-8, NC-10, NC-11, NC-18 and NC-19) were being executed by GWIL and the remaining eight by the divisions¹⁵ of GWSSB.

3.2.4 Audit objectives

Audit was conducted to assess whether

- The financial management of the Project was done with a view to ensure economy in financing of the cost,
- the performance was consistent with the target projected to be achieved in terms of supply of adequate quantity of water to villages/urban centres,

¹⁵ (1) PH works Division-I and II, Rajkot; (2) PH works Division I and II, Morbi; (3) PH works Division I and II, Anjar; (4) PH works Division, Gandhidham and (5) PH works Division, Mundra

- controlling and the executing agencies ensured efficiency and economy in implementation of the Project

3.2.5 Audit criteria

The audit criteria adopted for ensuring the audit objectives were:

- Norms and targets fixed for supply of water to villages/urban centres
- Terms and conditions in the contracts and agreements entered for consultancy services and with various contractors for execution of the works
- Agreement entered with various financial institutions and banks for financing of the Project
- Detailed Project Report (DPR) prescribing various components of works to be executed in the sub projects

3.2.6 Audit coverage/Methodology

The Project was conceived to avail the supply of Narmada water from Saurashtra Branch Canal (SBC) with off-take point at Dhanki. From Dhanki, there were two routes of supply of water as conceived in the Project. The implementation of the first route of the Project¹⁶ was partially covered in audit and mention was made in Paragraph 3.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 (Civil) – Government of Gujarat.

The second route was based on Maliya Branch Canal (MBC) with off-take point at Khirai and further distribution network through pipelines of 889 km. The total sanctioned cost of the Project was Rs.3,714 crore and the Project was divided into 92 sub-projects/61 group water supply schemes (WSS). Of these, 92 sub projects, 13 sub-projects as detailed in Appendix-XXV involving an expenditure of Rs.808.24 crore (22 per cent of the total sanctioned cost) and 12 out of 61¹⁷ group WSSs, involving an expenditure of Rs.181.56 crore (13 per cent of the total estimated cost (Rs.1,416 crore) of 61 groups) as detailed in Appendix-XXVI were taken up for detailed review in audit in Jamnagar, Kachchh and Rajkot districts. The examination of records covers aspects relating to conceptualation of the Project, its planning and implementation including related distribution network in these three districts. For this, the records for the period 2001 to 2005 were examined during June-August 2005 at the Board office of GWSSB and GWIL, three zonal offices at Ahmedabad, Kachchh and Rajkot and eight divisions of GWSSB and one unit of GWIL.

3.2.7 Financial management

The Project cost of 13 sub-projects comprised Rs.1,331.78 crore; of this, the State Government contributed 18 per cent of the Project cost and the balance 82 per cent was availed as loan by GWIL (Rs.75 crore) and GWSSB (Rs.566 crore). The Asian Development Bank (ADB) also contributed towards restoration of WSSs damaged in earthquake in these districts.

¹⁶ Saurashtra Pipeline Project for supply of water in Ahmedabad (partial), Amreli and Bhavnagar districts

¹⁷ Of the 61 WSSs, 21 off-takes from Khirai. Test check was conducted in 12 out of 21 WSSs

Availing finance from bank proved costlier

3.2.7.1 Avoidable payment of interest and guarantee fees

For execution of sub-project Tankara-Jamnagar section, GWIL obtained (January 2002) a loan of Rs.75 crore from Oriental Bank of Commerce (OBC). The loan carried interest of 11 *per cent* per annum, repayable in 40 equal quarterly installments after initial moratorium period of 18 months. The loan from HUDCO was available at the interest rate of 10.75 *per cent* with easier repayment conditions and hence raising of loan from OBC proved costlier by Rs.17.37 crore. GWIL stated (August 2005) that availing finance from bank was to reduce intermediation cost and for building relationship for future project financing. The reply was not tenable in view of payment of guarantee fee and a huge additional interest outgo of Rs.17.37 crore.

3.2.7.2 Irregular drawal of loan

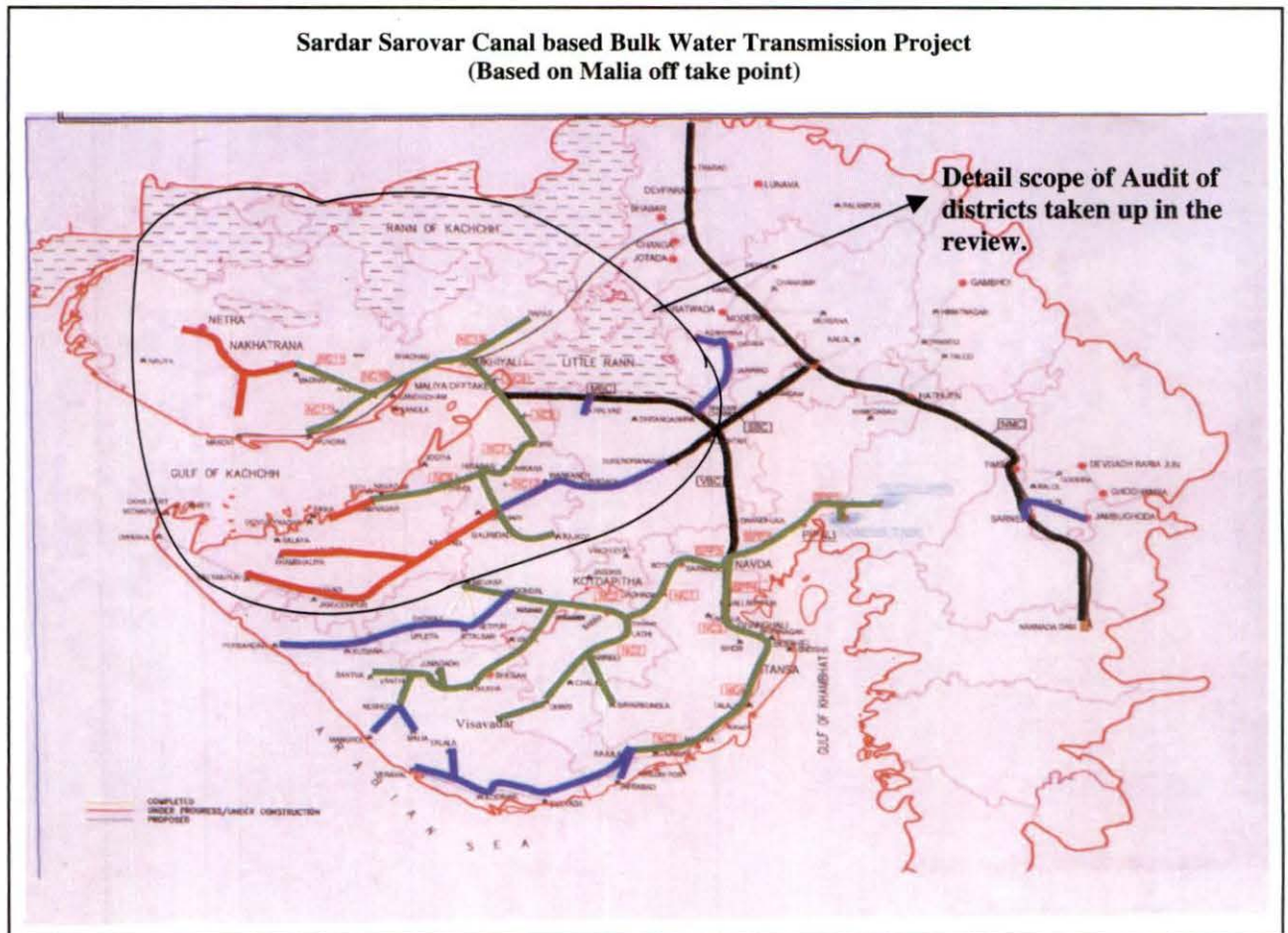
HUDCO sanctioned (November 2001) a loan of Rs.135 crore for Maliya-Bhachau sub-project. Due to non-execution of Balancing Reservoir¹⁸ (BR), GWSSB decided (November 2003) not to draw part of loan of Rs.17 crore meant for it and got the Government guarantee vacated (November 2003). However, GWSSB later drew (March 2004) the amount irregularly for construction of BR, which was not constructed (August 2005) and the amount was utilised towards the Government share on the sub -project.

3.2.8 Planning

3.2.8.1 Master plan

Five hundred mld water to Saurashtra and Kachchh regions was planned to be drawn from MBC that off-takes from SBC of Narmada Canal network, as indicated in *figure-1*, for transmission through trunk line to Rajkot-Jamnagar (400 mld) and Kachchh (100 mld) districts. The master plan (March 2001) envisaged distribution of water through regional and group WSSs. Following deficiencies in planning were noticed in audit.

¹⁸ A component for storage of water for 10 days requirement that was originally included in the project report.



(Figure -1)

3.2.8.2 Deviations from Detailed Project Report (DPR)

Master plan of the 13 sub-projects estimated to cost Rs.1,331.78 crore was formulated (September 2000) without detailed site survey, design and proper/detailed engineering leading to deviations as detailed below.

Objectives of un-interrupted supply of water remained non-achieved

DPR of NC-6 and NC-9 envisaged (April 2001) construction of BR for storage of 2,000 million litres near Maliya for uninterrupted supply of water. During implementation, this was deleted due to non availability of suitable land. Thus, in the absence of BR the objective of ensuring uninterrupted supply during shut-down of canal for maintenance remained unachieved.

DPR provided for construction of staff quarters, guesthouses, administrative buildings, etc. at site only. However, GWSSB constructed staff quarters which were not at site, but at Rajkot and Guest House at Dwarka. This led to diversion of funds of Rs.91 lakh, as also its consequent non-utilisation for the Project purposes.

3.2.8.3 Delay in completion of works

Utilisation of water was 29 per cent of capacity created

Six WSSs taken-up for execution during the period under review were incomplete. Relevant details are given in Appendix XXVII.

Failure of GWSSB as well as consultant in monitoring the execution of works indicated ineffective internal control resulting in cost and time overrun and deprivation of benefits to the targetted population.

As a result of delay in execution of works, the gross average daily intake from Khirai off take point during May 2003 to June 2005 was 145.17 mld (29 per cent) against capacity utilization of 500 mld. Of the envisaged coverage of 1,342 villages/urban centres benefit reached only to 415 villages/urban centres (31 per cent).

3.2.8.4 Expenditure on staff quarters

Expenditure on staff quarters proved unfruitful

For sub-projects of Maliya-Morbi and Morbi-Tankara, staff quarters, guesthouses, office buildings, etc. were constructed (August 2002) at a cost of Rs.1.69 crore¹⁹. However, these remained idle from the beginning. GWSSB attributed reasons for vacant buildings to non-deployment of staff for operation and maintenance of the system by outsourcing these works. The reply was not tenable considering the indistinct possibility of utilization due to remote sites of pumping stations, which resulted in the expenditure of Rs.1.69 crore unfruitful.

3.2.8.5 Idle investment

Rs.2.64 crore remained idle

GWSSB deposited Rs.2.64 crore (May 2002) with GEB for erecting 27 km long 66-KV feeder line for power supply at Hadala pumping station. Despite lapse of three years, GEB did not erect the line. As a result, Rs.2.64 crore remained blocked with GEB. The pumping station was being operated with temporary power connection of 11-KV. Due to non-availability of required power supply, only two pumps were operated as against requirement of four as per the design. This adversely affected the water supply network of Rajkot city.

3.2.8.6 Consultancy services

GWSSB followed FIDIC²⁰ norms for Construction Supervision Consultancy (CSC) for supervision of procurement of material and construction under the ADB financed Phase-I (sub projects NC 10,11 and 13) WSSs estimated to cost Rs.583.97 crore. GWSSB entrusted (September 2002) the work to M/s. MECON (a Government of India enterprise) at Rs.2.78 crore towards consultancy fees with performance period fixed initially till December 2003, which was extended upto June 2005 on account of additional CSC work for Phase II. Audit scrutiny of the records revealed that GWSSB reduced (March 2003) scope of work under Phase I by canceling 20 Desalination Plants (DPs) and 13 Water Treatment Plants (WTPs) (estimated cost Rs.20.65 crore). Since scope of work under Phase I was reduced, GWSSB was required

¹⁹ Maliya-Morbi Rs.84.48 lakh and Morbi-Tankara-Rs.84.48 lakh

²⁰ International Federation of Consulting Engineers

to set off CSC charges for 17 WTP of Phase II against CSC charges for reduced 20 DPs. Non-adjustment of CSC charges resulted in overpayment of Rs.1.94 crore.

3.2.9 Executions of works

Six²¹ out of 13 sub-projects of Bulk Water Transmission Project were financed by the ADB and remaining by HUDCO and OBC.

3.2.9.1 Cost overrun due to non-inclusion of standard bidding clause

Clause 2.29 of ADB guidelines for procurement of material provides that contracts containing a large material component should contain price variation clause to protect the borrower and the contractor from losses due to abrupt change in price. However, price variation clause was not incorporated in the contract for procurement of Mild Steel (MS) pipes allotted (November 2003) by GWSSB to an agency at fixed priced tender cost of Rs.143.38 crore against estimated cost of Rs.193.44 crore for three²² ADB financed sub-projects for Jamnagar district.

Non adhering to ADB guidelines resulted in cost overrun of Rs.125 crore

The agency failed to supply the pipes due to steep increase in the cost of raw material (Mild Steel). Therefore, contract was terminated (May 2004) and the GWSSB reallocated (February 2005) procurement contract with the benefit of price variation to other agencies which resulted in cost overrun of Rs.125 crore, besides time overrun. As a consequence of non procurement of pipes, related civil works for these sub-projects as well as distribution water supply schemes, which were otherwise stipulated to be completed by March 2005 had also not progressed as per schedule. Resultantly, the goal of providing water to 510 villages and eight urban centers had also not been achieved. Due to non completion of the works, water was being supplied to the targeted villages through tankers incurring additional expenditure Rs.1.66 crore (2003-05), besides loss of revenue of Rs.55 crore per annum from September 2004 onwards on sale of water to industries as admitted (August 2005) by GWIL.

3.2.9.2 Unfruitful expenditure and execution of extra quantity

The work of sub-section Tankara-Gauridad-Aji (NC-12) was allotted (August 2001) to an agency on turnkey basis. The scope of work included supply and fixing of 19 butter-fly valves²³ as per approved design. During execution, alignment and design of pipeline were modified, as a result of which only 9 valves²⁴ were utilized. However, GWSSB took on stock (May 2002) ten surplus valves which remained unutilized resulting in unfruitful expenditure of Rs.48 lakh.

²¹ (1) Bhachau-Anjar, (2) Anjar-Kukma, (3) Anjar-Mundra-Mandvi, (4) Samakhiyali-Rapar, (5) Khijadia-Moti-Khavdi and (6) Ratanpur-Panchavada, Panchavada-Kalyanpur and Samana-Khambhalia

²² Khijadia-Moti-Khavdi (NC-18), Ratanpur-Panchavada (NC-20), Panchavada-Kalyanpur, Samana-Khambhalia (NC-21)

²³ 13 of 1400 mm and 6 of 1000 mm

²⁴ 5 valves of 1400 mm and 4 of 1000 mm

3.2.9.3 Excess/Avoidable payments

Lump-sum contract for bulk water transmission from Maliya-Bhachau sub-section (NC-9) was allotted (September 2001) to an agency at his tendered cost of Rs.130.31 crore. The work was completed (May 2003) at a cost of Rs.125.86 crore. The contract envisaged providing and laying of 54,600 metres (1800 mm dia) and 7,000 metres (1350 mm dia) MS pipes. Lump-sum price for both was quoted (September 2001) at Rs.99.56 crore and Rs.12.12 crore respectively. Execution of excess quantity or less quantity would entail variation of payment at the rate of Rs.8,000/metre (1800 mm dia) and Rs.7,200/metre (1350 mm dia). Actual laying of pipes and payments made were as under:

Size of pipe (dia/mm)	Quantity (Mtr.)			Payment due	Payment made	Excess payment
	Contracted	Executed (Not executed)	Contracted rate per metre			
1800	54,600.00	52,458.82 (2,141.18) 54,600.00	18,234.43 (8,000.00)	95.66 1.71 97.37	97.85	0.48
1350	7,000.00	3,761.07 (3,238.93) 7,000.00	17,314.28 (7,200.00)	6.51 2.33 8.84	9.78	0.94
Total	61,600.00				107.63	1.42

Defective contractual clause led to avoidable payment of Rs.5.46 crore on laying of pipes

As the contract provided payment even for unexecuted quantity, it was necessary to avoid extra expenditure and to make sure with precision the actual length to be laid. In the instant case, though the contracted quantity was 61,600 metres, the actual pipeline laid was 56,219.89 metres for which Rs.4.04 crore had to be paid as per the contract conditions which included Rs.1.42 crore which was paid due to incorrect computation.

It was further observed that the length under the various sub-sections in the areas particularly in adjoining reaches were not correctly worked out. While NC-9 had 61,600 metres of length, the adjoining NC-10 also had 47,500 metres which included unexecuted 5,380.11 metres length of NC-9 for which payment of Rs.4.04 crore had already been made. This could have been avoided through proper planning.

3.2.9.4 Bank guarantee

Failure to verify genuineness of bank guarantee resulted in loss of Rs.1.04 crore

Civil works for three WSSs²⁵ covering 110 villages and 5 towns of Kachchh district were allotted (May 2002-March 2003) to an agency at tendered cost of Rs.11.35 crore scheduled for completion between December 2002 and July 2003. The agency abandoned (June-2003) the works after receiving payment of Rs.5.26 crore. The bank guarantee (BG) of Rs.1.04 crore tendered (May 2002-March 2003) by the agency²⁶, when sent to bank²⁷ (August 2003) for encashment was not honoured stating that no such guarantee was given by the Bank. Failure to verify genuineness of the BG before acceptance resulted

²⁵ Kandla-Gandhidham, Bhuj bulk and Bhachau regional WSSs

²⁶ As performance security and security against payment of mobilization advance

²⁷ Indian Bank, Elluru branch, Andhra Pradesh

in loss of Rs.1.04²⁸ crore. A police complaint was lodged (October 2003) and final out come of the complaint was still awaited (November 2005).

3.2.10 Water Supply Schemes

3.2.10.1 Enforcement of contractual condition

Non-enforcement of contractual condition resulted in loss of Rs.5.54 crore on procurement of pipes

Agreements (June 2002) for procurement of MS and Duct Iron (DI) pipes fixed with two²⁹ agencies for ADB assisted distribution 16 sub projects provided for supply of 15 per cent additional quantity, if ordered within validity of contract. Instead of enforcing contractual clause, GWSSB entered into fresh contracts (January 2003) with the same suppliers during currency of earlier contract and procured pipes (May-July 2003) at higher rates leading to loss of Rs.5.54 crore on procurement (MS pipes Rupees one crore, DI pipes, Rs.4.54 crore). Of these, DI pipes costing Rs.5.97 crore were lying unutilized at three divisions³⁰ due to change in alignment. Further, pipes worth Rs.53 lakh were diverted to Sanni WSS which was outside scope of ADB assisted project. This indicated that the procurement of pipes at higher rates was made without assessing the actual requirement.

3.2.10.2 Avoidable payment due to lack of co-ordination

Lack of co-ordination between GWSSB/GWIL resulted in avoidable payment of Rs.54 lakh

Scrutiny of the records of implementing agencies revealed that during May 2002, GWSSB had placed order for supply of 711/7mm MS pipes with M/s PSL holdings Limited at US \$43.63 per running metre (rmt) for execution of ADB funded WSSs. Though the contract with M/s PSL holdings was in force, GWIL too placed (October-2002) order with M/s Welspun Gujarat Stehel Rohren Limited for supply of 18,018 rmt of same dimension pipes at US \$49.83 per rmt leading to rate difference of US \$6.20 per rmt. Non assessment of total requirement of pipes jointly by both implementing agencies resulted in avoidable payment of Rs.54 lakh³¹ on procurement of pipes by GWIL.

3.2.10.3 Procurement of pipes

Acceptance of sub standard PVC pipes affected life of system

GWSSB placed an order (June 2002) with an agency for supply of PVC pipes valued at Rs.13.40 crore, which was supplied during September-November 2002. Though the pipes were not conforming to specifications³², the consultants responsible for checking and certifying quality reported (September 2003) the fact only after entire quantity was supplied. The pipes were sent (July 2003) for testing at the Central Institute of Plastic Engineering and Technology after a lapse of one year after completion of delivery. GWSSB stated (August 2005) that though pipes were not as per specification,

28

Sr.No.	Bank Guarantee No.	Date	Amount (Rs. In lakh)
1	97/2002-03	21 May 2002	30.75
2.	39/2002-03	23 October 2002	28.05
3.	47/2002	13 February 2003	14.83
4.	48/2002	13 March 2003	30.75

²⁹ M/s. Electro Steel casting Ltd. and PSL Holdings Ltd.

³⁰ Anjar, Bhuj and Gandhidham

³¹ On then prevailing conversion rate of Rs.48.50 per US \$ as fixed in contract

³² ISO 9001 and IS-4985-2000 on account of presence of ash content in excess of permissible limit up to 11 per cent

these were accepted at reduced rates. Acceptance of sub-standard pipes and their utilization in works would affect life of the system leading to wasteful expenditure. The issue, therefore, needs further investigation by the Department.

3.2.10.4 Overpayments

GWSSB made over payment of Rs.60.43 lakh on acceptance of pipes without gunniting

To safeguard the MS pipes from corrosion, the contract provided reinforced gunniting of external surface of pipes with wire mesh and 40 mm mortar. However, 6,928.28 metres of MS pipes were laid by March 2003 in Maliya-Bhachau section without gunniting. The average cost of the gunniting was five *per cent* of the cost of pipes. But as against reduction of Rs.63.17 lakh for non-execution of gunniting, Rs.2.74 lakh alone was deducted leading to overpayment of Rs.60.43 lakh³³. Sub-standard work also exposed the pipes to corrosion thereby reducing life of system.

Non-deduction of rebate for excise and transportation resulted in over payment of Rs.2.11 crore

Similarly, an agency executing the work for Tankara-Gauridad-Aji offered supply (June 2001) to MS pipes at the rate ranging from Rs.15,594 to Rs.5,115 per rmt depending on size/diameter of the pipe. The agency was to bring the pipes from Kachchh district enjoying exemption from payment of excise duty and hence, GWSSB while accepting the bid had imposed a condition that the Agency would pass on Rs.448 per tonne towards benefit of excise duty exemption on steel and Rs.750 per tonne on account of saving in scope of transportation of MS plates. The agency utilized 17,683 tonnes of steel in manufacture of MS pipes for which the GWSSB was required to deduct Rs.78 lakh towards excise duty and Rs.1.33 crore on transportation from the payment to the agency. However, no such deduction was made by GWSSB while making the payment. This resulted in overpayment of Rs.2.11 crore.

3.2.10.5 Avoidable liability

Non-payment of water charges resulted in creation of liability of Rs.66.94 crore

The Project envisaged drawal of 500 mld of water from Sardar Sarovar Canal on payment of charges, as may be fixed by the Government from time to time. Scrutiny of bills raised (October 2003 July 2005) by SSNNL for supply of water and drawal by GWSSB from Khirai off take point revealed that as against billing for supply of 1,04,622.23 ml water by SSNNL (April 2003 to June 2005), GWSSB had drawn 70,701.74 ml water during this period leading to a difference of 33,920.49 ml valued to Rs.21.71crore. GWSSB attributed the difference as transmission loss (ranging between 27 and 38 *per cent*) during April 2004 to June 2005 due to evaporation, seepage due to unlined canal and theft (by the farmers). The reasons advanced were not tenable as billing was being done from the place of drawal by GWSSB for supply in the trunk lines and hence there was no possibility of loss on account of any of the reasons put forward. Since the factual position was in variance with the reply, the matter needs further investigation by the Department. The SSNNL raised (August 2005) demand for Rs.66.94 crore for supply of water (March 2003 to

³³ Cost of pipe per metre Rs.18234.43 five *per cent* of which works out to Rs.911.72
length of ungunnited pipes 6928.28 metres x 911.72= Rs.63,16,651
Amount deducted Rs. 2,74,018
Over payment Rs.60,42,633

June 2005), but no payment was made by GWSSB on account of dispute over quantum of water supplied. As a result avoidable liability was created.

3.2.11 Water Regulating Authority

For regulating issues relating to water pricing policy, legal and regulatory measures to control and regulate water supply sector as a whole, a high-level empowered committee set up by the Government recommended (March-2000) for setting up an independent Water Regulating Authority (WRA). Tata Energy Research Institute (TERI) was entrusted the work of formulating framework of WRA. Though TERI submitted report (August 2000) and GWIL made proposal to the Government for setting up of WRA, no action was taken by the Government (December 2005).

3.2.12 Conclusion

Out of 13 sub-projects costing Rs.1,331.78 crore for bulk water transmission, works to the extent of Rs.808 crore were completed (March 2005). Of the 21 regional/group WSSs (out of 61 WSSs) to be served from the Project³⁴, only seven were completed and remaining 14 were under various stages of construction. Of the envisaged coverage of 1342 villages/towns, benefits reached only to 415 villages/urban centres. Gross average daily intake from Khirai off take during three years of its operation (May 2003 to June 2005) was 145.17 mld only (29 per cent) against capacity utilization of 500 mld. With projected requirement of 500 mld water and large number of unexecuted distribution networks there was no prospects of optimum utilization of the capacity in immediate future. Time overrun of three years resulted in cost overrun of Rs.125 crore in three³⁵ sub-projects/WSS. Cases of losses, excess/overpayments, avoidable expenditure, idle investments, etc. were noticed. Due to non-setting up of independent authority, issues relating to water pricing policy, legal and regulatory measures to control and regulate water supply, etc. remained unresolved.

3.2.13 Recommendations

- System for reviewing DPRs based on adequate survey before commencement of tendering process should be evolved so as to avoid variations, adoption of non-uniform specifications, sub-standard construction and inefficient project management
- Better financial management and closer monitoring of cash management (to bring down the cost of capital) should be ensured
- Government should consider setting up an independent Water Regulatory Authority for controlling issues relating to the water supply sector as a whole.

³⁴ Off-takes from Khirai

³⁵ Khavdi, Khijadia-Moti Khavdi and Ratanpur-Khambhalia-Kalyanpur

PORTS AND FISHERIES DEPARTMENT

3.3 Gujarat Maritime Board

Highlights

Gujarat Maritime Board (GMB) established in April 1982 under the Gujarat Maritime Board Act, 1981 is vested with the administration and management of 40 minor ports of the State. A review of working of the GMB for the period 2000-2005, revealed various deficiencies such as meagre contribution in cargo handling by the GMB jetties and underutilization of wharfs, unfruitful expenditure on repairs to tugs and dredgers, unfruitful expenditure on dredging, incorrect application of rules for recovery of revenue, improper terms and conditions in the agreements leading to non recovery of dues, etc. Some of the important findings are as follows:

Return on capital employed declined from 21.43 per cent in 2000-01 to 15.16 per cent in 2004-05.

(Paragraph 3.3.6.1)

The contribution of the GMB's own jetties in total cargo handling ranged between six and seven per cent only.

(Paragraph 3.3.7.1)

Out of 400 metres wharf constructed at Rozi Port at Jamnagar at a cost of Rs.8.50 crore in 1996-97, 250 metres wharf remained unutilized, resulting in revenue loss.

(Paragraph 3.3.7.2)

The utilisation of the GMB's own dredgers ranged between 39 per cent and 51 per cent only during 2000-05 and non completion of dredging work rendered expenditure of Rs.6.20 crore unfruitful.

(Paragraph 3.3.8)

Due to indecision of the GMB on status of jetty constructed by the Gujarat State Fertilizer Company Limited in 1987, revenue of Rs. 15.21 crore remained unrealized.

(Paragraph 3.3.9.2)

Incorrect application of rebate on cargo handled from one GMB port to any other port in India, resulted in short recovery of wharfage charges to the tune of Rs.9.60 crore from two captive jetty operators.

(Paragraph 3.3.10.3)

Wrong calculation of wharfage rate of Neptha and Paraxillin handled through single point mooring by Reliance Industries Limited resulted in short recovery of wharfage charges of Rs. 4.07 crore.

(Paragraph 3.3.10.4)

At the end of allotment period of ten years of ship breaking plots at Alang, premium amounting to Rs. 7.75 crore remained unrecovered from 24 parties due to deficiency in the contracts.

(Paragraph 3.3.11.1)

3.3.1 Introduction

Gujarat leads India with an impressive coastline of approximately 1,600 km. The major port at Kandla is managed by the Kandla Port Trust under Major Ports Trust Act, 1963. There are 40 minor ports in the State of Gujarat which were managed by the State Government till April 1982. With the enactment of Gujarat Maritime Board Act, 1981 (GMB Act) in April 1982 the management of these ports was taken over by the Gujarat Maritime Board (GMB).

Out of 40 ports under the GMB, two ports³⁶ were given to private parties (September 1998 and February 2001) for development as all weather direct berthing ports. This facility is also available in seven³⁷ other ports. While in seven³⁸ other ports the lighterage³⁹ facilities are available, 24 ports are handling sailing vessels besides being used for fishing. GMB had also developed two ship breaking yards.⁴⁰

The main objectives of the GMB are:

- to provide necessary facilities at various ports for handling and shipping of cargo, handling equipment, provide transit and storage space, water supply, electrification, communication, navigational aid in harbour and their approaches for safe navigation,
- to levy port dues and other port charges like lighterage, crane charges, tug/launch charges, godown rents, etc.,
- to frame rules, regulations and bye laws under the Indian Ports Act, 1908, Gujarat Maritime Board Act, 1981 and enforce various rules viz. Gujarat Port Rules, 1962, Gujarat Minor Ports (Passenger Vessels) Rules, 1961 and to prescribe port charges for various services,
- enforcement of port health rules and
- declaring port limit and landing place of various ports.

³⁶ Mundra (February 2001), Pipavav (September 1998)

³⁷ Bhavnagar, Porbandar, Magdalla, Mul Dwarka, Sikka, Okha and Zafrabad

³⁸ Mandvi, Navlakhi, Bedi, Salaya, Veraval, Pindhara and Jakhau

³⁹ Ship is anchored in stream and cargo is brought to wharf through barges

⁴⁰ Alang and Sanchana

3.3.2 Organisational set up

Ports and Fisheries Department is the nodal department for the administration of the GMB. GMB has ten members including the Chairman; who are appointed by the State Government. Administrative control and management of the affairs of the GMB is carried out by the Chief Executive Officer and Vice Chairman. For administrative convenience, 40 ports under the GMB have been divided into ten groups, each headed by a Port Officer. GMB has six Circles⁴¹, for carrying out development works of ports, its maintenance, repairs, etc. and each Circle is headed by a Superintending Engineer.

3.3.3 Audit objectives

The main audit objectives were to assess whether:

- sufficient infrastructure facilities had been created and were being utilized effectively,
- the services provided at ports by the GMB for shipping and cargo handling were adequate and the rates for these services are fixed, levied and accounted for as per Schedule of Port Charges,
- the dredging at various ports was carried out efficiently and the port dredgers were effectively utilized,
- terms and conditions for captive/private jetties were properly finalized and implemented.

3.3.4 Audit Criteria

The Audit criteria adopted for ensuring the above audit objectives were:

- Availability and utilization of infrastructure facilities at ports under the GMB.
- Actual cargo handled by the GMB's own jetties, private jetties and captive jetties *vis-à-vis* targets that were fixed.
- Estimate with respect to dredging requirements and actual dredging carried out.
- Terms and Conditions of contracts and agreements entered for the development of captive and private jetties.
- Schedule of port charges and actual port revenues levied and collected.

3.3.5 Audit coverage

A review on the performance of minor ports of the GMB was undertaken by audit between May and July 2005 covering a period of five years (April 2000 –March 2005). GMB office at Gandhinagar and four groups of ports (Bedi, Magdalla, Porbandar and Okha) were selected for detailed assessment after considering factors such as volume of traffic handled and revenue earned. These groups of ports handled about 75 per cent of total traffic during 2000-05 and had earned about 56 per cent of total revenue during this period.

⁴¹ Superintending Engineer (SE) (Civil), Jamnagar; SE (Civil), Bhavnagar; SE (Civil), Gandhinagar; SE (Civil), Porbandar; SE (Dredging cell), Jamnagar and SE (Mechanical), Gandhinagar

Audit Findings

3.3.6 Financial management

GMB maintained their accounts on cash basis till 2001-02. From 2002-03, it has switched over to mercantile system. The financial position of the GMB during 2000-2005 was as follows.

(Rupees in crore)

Income & Expenditure	2000-01	2001-02	2002-03	2003-04	2004-05
Income					
Operational income	160.72	172.75	200.32	208.87	227.61
Interest income	28.22	6.37	15.58	25.65	26.75
Other income	1.92	2.19	6.01	5.06	1.56
Total	190.86	181.31	221.91	239.58	255.92
Expenditure					
Operational expenditure	69.60	67.03	74.62	71.53	68.00
Pension and Gratuity contribution	5.00	0.00	37.95	37.95	30.00
Other financial expenditure ⁴²	0.00	0.00	0.00	10.62	8.18
Revenue sharing with Government of Gujarat	38.17	36.26	44.38	71.87	76.78
Total Expenditure	112.77	103.29	156.95	191.97	182.96
Net Revenue	78.09	78.02	64.96	47.61	72.96
Financial Position					
Fixed Assets	254.59	365.74	378.31	383.17	398.45
Less: Depreciation	16.93	50.48	96.64	104.37	116.78
Net Fixed Assets	237.66	315.26	281.67	278.80	281.67
Work in Progress	59.70	3.43	9.70	22.00	51.60
Investments	220.04	224.61	302.70	342.98	206.02
Current Assets	155.25	177.03	117.59	85.94	267.20
Total	672.65	720.33	711.66	729.72	806.49
Revenue Reserves	285.30	375.55	387.80	436.43	508.24
Other funds	299.07	313.79	234.97	180.51	178.92
Current liabilities	88.28	30.99	88.89	112.78	119.33
Total liabilities	672.65	720.33	711.66	729.72	806.49

Increase in net revenue in 2004-05 was mainly due to increase in traffic from 872.99 lakh tonne (2003-04) to 961.56 lakh tonne (2004-05) and also reduction in expenditure.

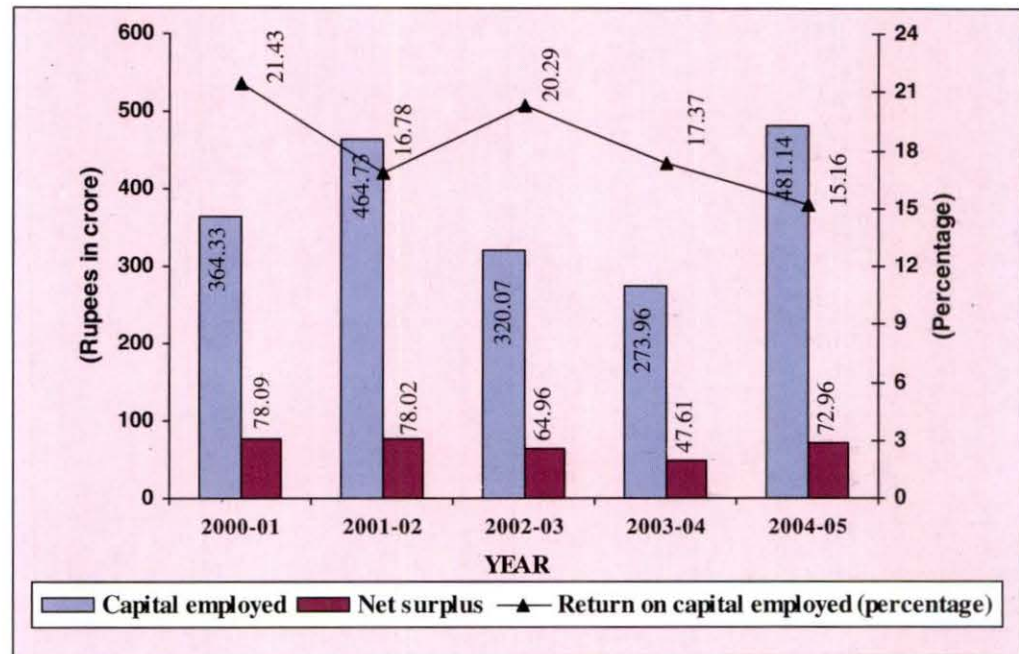
Increase in fixed assets and depreciation provision during 2001-02 was due to writing back the several items of replacements costing Rs.93.71 crore and accumulated depreciation of the assets before switching over to Mercantile Accounting System.

Reduction in investments and increase in current assets during 2004-05 was due to change in exhibition of investment made in the cash deposit with the Gujarat State Finance Service as cash and Bank Balance instead of reflection of the same as investments earlier.

⁴² Other financial expenditure incurred during 2003-04 and 2004-05 represents payments made on account of special voluntary retirement scheme launched during this period

3.3.6.1 Capital employed and returns thereon

The position of capital employed, net surplus and return on capital employed for the last five years as worked out by audit was as follows:



The income of the GMB increased by 34 per cent over a period of 2000-05. However, the net surplus reduced by about seven per cent and there was also fall in return on capital employed from 21.43 per cent to 15.16 per cent during this period. The reduction in net surplus and down fall in return on capital employed was due to transfer of share in gross income to the State Government (Rs.267.46 crore) during 2000-05 calculated at 20 per cent from 2000-01 and onwards and further increased to 30 per cent from 2003-04. It was observed that transfer of the revenue share to the State Government was not specifically provided in the GMB Act, 1981 and was introduced during the year 2000-01 through a resolution passed by the GMB in October 2000.

3.3.7 Operations Management

3.3.7.1 Handling of traffic

An analysis of traffic handling during 2000-2005 revealed that though there was overall increase in handling of cargo from 712.13 lakh tonne in 2000-01 to 961.56 lakh tonne in 2004-05, the contribution of jetties handled by the GMB itself ranged only six to seven per cent of total cargo handling and 77 to 80 per cent of cargo was handled by other captive jetties⁴³ of which captive jetty of Reliance at Sikka alone handled 70 per cent of cargo during the above period. The contribution by private jetties⁴⁴/ports ranged between 13 and 17 per cent.

The contribution of the GMB jetties in cargo handling was dismal

⁴³ Captive jetty is used for handling industry based cargo of the jetty holder

⁴⁴ Private jetty is used for handling all cargo by the jetty holder

The poor performance of the GMB jetties was mainly due to the fact that direct berthing facilities were available at only three ports (Bhavnagar, Porbandar and Okha) and at other ports the cargo was handled through barges by anchoring ships in stream. At Porbandar Port, which was a direct berthing port, on arrival of ships of Indian Navy, the port authorities was compelled to vacate the jetty for berthing Naval ships. This also adversely affected (2003-05) handling of cargo, as the jetty was occupied by Naval ships for 119 days resulting in cancellation and diversion of vessels to other ports.

3.3.7.2 Utilisation of wharf

Wharf constructed at a cost of Rs.5.31 crore remained idle

With a view to increase cargo handling at Rozi Port, Jamnagar, the GMB constructed a 400 metre (mtr.) long wharf at a cost of Rs.8.50 crore in 1996-97, of which only 150 mtr. wharf was allotted. The remaining 250 mtr. wharf was not allotted due to lack of response from users and wharf therefore remained idle since 1996-97. The wharf was not declared as Customs Landing Place as the Customs Department stated (April 2002) that the Jetty was in damaged condition. GMB prepared (April 2002) an estimate of Rs.7.85 lakh for its repairs but the work order was not issued (July 2005). This resulted in idle investment of Rs.5.31 crore on 250 metre wharf at proportionate basis. Non utilisation of wharf resulted in foregoing potential traffic of at least 2.5 lakh tonne⁴⁵ per year since 1996-97.

3.3.7.3 Utilisation of manpower for the tug

As per requirement of Mercantile Marine Department, the Master and Engine drivers of the tug should have a required qualification (qualified) for operating a vessel under Mercantile Shipping Act. The other staff like seaman, oilman, topaz, etc. do not require special qualification (unqualified staff). The tugs given on MMO&R⁴⁶ contracts had the GMB's unqualified staff (seaman, oilman, electrician, topaz, etc.) on board. However, contracts allotted during the period 2000-2005 provided that all the staff (qualified and unqualified) on board of the tug would be provided by the contractors. Thus, award of MMO&R contracts rendered 52 unqualified staff surplus during this period creating burden on the GMB to pay salary of Rs.21.87 lakh from October 2002 to March 2005 to the idle staff.

When pointed out in audit, the GMB stated (July 2005) that the unqualified staff was not attending work regularly on contracted tugs. Therefore, the decision was taken to enter into contract with entire staff to be provided by the contractors. Thus, failure to utilise the services of the GMB's unqualified staff and payment to contractors for engaging separate employees for this resulted in extra expenditure on payment of wages to the idle staff.

⁴⁵ Minimum cargo handling of 1.5 lakh tonne for 150 mtr. wharf allotted to a private party

⁴⁶ Manning, Maintenance, Operation and Repairs

3.3.7.4 Repair of Sunken tug

Expenditure of Rs.57.44 lakh was incurred on repairs of the tug without assessing the condition of its engine

GMB acquired in 1985 tug "Shetrunji" at a cost of Rs 1.84 crore. In a cyclone (June 1998), the tug partially sank near deep water berth at north side of Porbandar Port. GMB salvaged the tug in July 1998 and it was beached at Asmavati Ghat, after incurring an expenditure of Rs.18 lakh, of which, insurance company paid a claim of Rs.13.50 lakh on its salvaging. Physical condition of the tug was not checked so as to ascertain feasibility of its reinduction for operation.

Subsequently the tug was put to special repairs and after incurring expenditure of Rs.57.44 lakh during July 1999 to March 2003 it was found that the engines of the tug were not sea-worthy and their replacement would be uneconomical. GMB, therefore, decided (February 2003) to prefer the insurance claim and dispose off the tug. The Insurance Company admitted (March 2005) a claim of Rs.29.84 lakh but the claim was not accepted by the GMB as of July 2005. Considering the depreciated cost of the tug of Rs.55.05 lakh⁴⁷ as on 31 March 2005 and insurance claim admitted by the insurer, the present cost of tug works out to Rs 87.15 lakh⁴⁸. However, the upset price of the tug was yet to be fixed.

Thus, action of the GMB to repair the tug without ascertaining its condition resulted in unfruitful expenditure of Rs.57.44 lakh. As the upset price is yet to be fixed, realizable value of the tug was uncertain. Besides, the final insurance claim case was also yet to be finalised (July 2005).

3.3.7.5 Repair of tug

Tug Vasant, purchased in 1975 and stationed at Mandvi Port, was withdrawn in June 2001 for its special repairs. As there was no traffic at Mandvi Port, the tug was also not required there. However, technical sanction for its repairs was accorded by the Superintending Engineer, Mechanical (August 2003) and work was allotted (March 2004) after delay of about 32 months to a contractor with stipulated completion period of six months. The tug was repaired (February 2005) after incurring expenditure of Rs.51 lakh. Tug was intended (June 2005) to be used for patrolling⁴⁹ at other ports, however, due to non availability of staff even this usage of the tug had not materialized (October 2005). Inordinate delay in repairs resulted in non utilisation of tug besides unfruitful expenditure of Rs.51 lakh.

⁴⁷ Rs.183.50 lakh (cost)-Rs.128.45 lakh accumulated depreciation (3.5 per cent per annum for 20 years upto 31 March 2005)= Rs.55.05 lakh

⁴⁸ Depreciated cost of tug Rs.55.05 lakh plus Rs.75.44 lakh expenditure on salvage and repairs minus Rs.43.34 lakh claim on account of salvage (Rs.13.50 lakh) paid by the insurer and Rs.29.84 lakh insurance claim admitted

⁴⁹ For patrolling, launch is used

Installation of Bulk Cargo Handling System and expenditure on its maintenance proved unfruitful.

3.3.7.6 Bulk Cargo Handling System

GMB had installed (March 1999) Mechanical Bulk Cargo Handling System with hourly capacity of 900 MT at New Bedi Port, Jamnagar at a cost of Rs.4.46 crore, to handle agro-based products like soyabean and rapeseed extracts.

A comprehensive contract for MMO&R was allotted to an agency for 12 months from October 2002 at a monthly payment of Rs.7.11 lakh plus handling charges of Rs.17.10 per tonne of cargo handled. For want of cargo, during first six months (October 2002 to March 2003), the system was used for only 20 days to handle 0.23 lakh MT of cargo against minimum of 0.49 lakh MT per month as per agreement (700 MT per hour for 20 days at 3^{1/2} hours a day). However, the contract continued as such till May 2003. The contract was then restricted (May 2003) to maintenance at Rs.3.51 lakh per month and finally it was terminated (November 2003). The system remained unutilised since then and the same was being maintained departmentally.

Thus, installation of the system without availability of cargo resulted not only in idle investment of Rs.4.46 crore by the GMB but also led to unfruitful expenditure of Rs.72.23 lakh⁵⁰ towards maintenance contract, which was unwarranted in the absence of cargo.

3.3.8 Utilisation of dredgers

For carrying out the dredging at minor ports, the GMB had 13 dredgers of different types. As per information furnished (July 2005) by the GMB in respect of nine dredgers, the utilisation of dredgers ranged between 39 per cent and 51 per cent (2000-05). Out of which utilisation of dredger Sudershan and Bhavnagar-II was only 15 to 16 per cent. It was also noticed in audit that out of nine dredgers only seven dredgers were utilized during the period and two dredgers were kept idle. Following major deficiencies were noticed in the dredging activities carried out by the GMB.

3.3.8.1 Unfruitful expenditure on dredging

Non completion of dredging work led to unfruitful expenditure of Rs.6.20 crore

At Okha Port, depth of channel was only 5.6 mtr. With a view to accommodate vessels having draft ranging 5.6 to 8 mtr. directly at Sayaji Pier of the Port, survey was conducted departmentally in December 1999 and the GMB decided (August 2001) to carry out extensive dredging. It was decided to dredge an estimated quantity of 5.96 lakh cum. Work was allotted to an Agency (August 2001) at a tendered cost of Rs.6.89 crore.

After dredging of 4.47 lakh cum, work was confronted with rocks and sticky clay at turning circle along side Sayaji Pier and also at other strategical points. The Agency stopped (October 2001) the work as rocks, sticky clay, etc. were not provided for in the agreement. The work was not completed (June 2005). GMB had made payment (September 2001) of Rupees two crore against total cost of Rs.6.20 crore⁵¹ and remaining amount of Rs.4.20 crore has been

⁵⁰ Departmental figure

⁵¹ Includes dredging cost of 4.47 cum. of dredging quantity and mobilisation and demobilisation advance

withheld since October 2001. Thus, due to defective survey by the GMB expenditure incurred on dredging proved unfruitful.

As the silt had again accumulated in the dredged area, the GMB prepared a fresh estimate (May 2005) for 6.91 lakh cum. of dredging including the overburden siltation of 5.72 lakh cum. in the entire water ways. Thus, the work earlier executed could not serve any purpose.

3.3.8.2 In-house dredging

Dredging was carried out by the GMB's dredgers as well as through private contracts. A scrutiny of dredging carried out by private dredgers vis-à-vis the GMB's dredgers revealed that the cost of dredging by private dredgers ranged between Rs.30 and Rs.115 per cum. However, the cost of dredging carried out by the GMB at Okha and Veraval (2000-05) ranged between Rs.276 to Rs.14,980 per cum. The excessive cost of in-house dredging was mainly attributed to lesser quantity of actual dredging which resulted in excessive fixed cost in comparison to variable cost. The fixed cost included cost towards maintenance, pay and allowances, repairing of the dredging machinery and equipment. At Okha Port, quantity to be dredged was not estimated but during 2000-2005, 0.16 lakh cum. dredging was done at an expenditure of Rs.2.39 crore whereas at Veraval Port against estimated dredging quantity of 1.35 lakh cum. only 0.43 lakh cum. was dredged at an expenditure of Rs.1.23 crore.

3.3.9 Private sector participation in infrastructure development of Ports

GMB allowed private parties to construct and operate jetties for handling their captive cargo (Industries related cargo). There were 19 captive jetties working at various GMB ports. For the development of ports through private participation, the Government declared Port Policy in December 1995 and also identified ten green field sites⁵² for development as deep water direct berthing ports. The Ports at Pipavav and Mundra were given to private parties on Built Own Operate and Transfer basis in September 1998 and February 2001 respectively. Following points were noticed in audit.

3.3.9.1 Supplementary agreement

For the development of Mundra Port in private participation, the GMB entered into a concession agreement (February 2001) with the Gujarat Adani Port Limited (GAPL). The agreement provided that at the end of agreement period of 30 years (2031), the assets of GAPL be taken back by the GMB at Depreciated Replacement Value (DRV) and GAPL would pay waterfront royalty on cargo handled at Mundra Port at concessional rate. Difference between actual rate of waterfront royalty and concessional waterfront royalty would be allowed to be set off against the capital cost of all contracted assets of GAPL. The concession was to be given till the entire capital cost is fully set off. There was no provision in the agreement that the amount of concession so allowed would be deducted from DRV payable at the end of agreement period (i.e. 30 years).

Tardy action taken for supplementary agreement

⁵² Dahej, Dholera, Hazira, Maroli, Mithi-Virdi, Mundra, Posithra, Rozi, Simar and Vansi-borsi

It was noticed in audit that when GAPL approached the GMB for obtaining approval for extension of port limit of Mundra Port for accommodating the Single Bouy Mooring (SBM) to be set up by HPCL⁵³ and others, the Ports and Fisheries Department put (May 2002) the following conditions.

- payment of waterfront royalty at full rate to the GMB on the cargo handled at the SBM to be set up in future i.e. SBMs other than of HPCL.
- deduction of amount of set off being availed as per present agreement by way of royalty concession while calculating DRV payable at the end of the agreement period as per clause 15.2.1.1 of the agreement.

However, no supplementary agreement was entered into (May 2005) due to subsequent opposition by the party (GAPL).

Pending finalization of the issue, the GMB had given concession of Rs.67.24 crore upto March 2005 on payment of waterfront royalty but its deduction from DRV to be paid at the end of agreement period was not yet assured.

3.3.9.2 Indecision on status of jetty

GMB had granted permission in 1987 to the Gujarat State Fertilizer Company Limited (GSFC) for construction of a jetty at village Sikka (Jamnagar district) for import of raw materials required for Dry Ammonium Phosphate Fertilizer Plant at village Moti-khavdi near Sikka. GMB did not get the agreement executed with GSFC for construction of jetty and had not decided the status of jetty (private jetty or captive jetty) for levy of port dues (March 2005). For a private jetty, GSFC was entitled to handle any cargo at their jetty subject to payment of full wharfage charges and for captive jetty, GSFC could handle only their captive cargo and was also entitled for rebate in wharfage charges for setting off the construction cost of the jetty constructed at Sikka.

Tardy action in deciding the status of jetty led to blocking of revenue

GSFC constructed the jetty at a cost of Rs.13.90 crore and cargo handling commenced in May 1987 with anchoring of first ship at jetty. GMB accordingly passed (August 1987) a resolution that as the terms and conditions of recovery, interest, etc. on capital cost of construction of jetty was not finalised, provisional rate of wharfage of Rs.110 per MT for liquid ammonia and liquid phosphoric acid be fixed subject to review after three months. This resolution was approved by the Government (August 1987).

When the Port Officer demanded the charges, GSFC approached the Government with a proposal that as expenditure of Rs.13.90 crore was incurred on construction of jetty, the charges to be levied be appropriated/adjusted against the cost incurred. Government directed (October 1987) the GMB that until the status of jetty was decided, the GMB should not recover the port charges but was to maintain ship wise accounts of charges to be levied for cargo handled by GSFC.

⁵³ Hindustan Petroleum Corporation Limited

Audit observed (January 2004) that since commissioning (1987) of the jetty GSFC had handled only captive cargo (for their utilisation at fertilizer plant) and had demanded rebate in wharfage charges, as status of the jetty was of a captive Jetty only. However, the GMB did not take the decision and against wharfage charges of Rs.55.06 crore recoverable from the period of commissioning of jetty (after allowing rebate for setting off the construction cost of jetty of Rs.19.74 crore cost and interest etc. on cost of construction), GMB had recovered only Rs.39.85 crore. Thus, Rs.15.21 crore remained unrecovered.

Since status of jetty was not decided and no agreement executed, recovery of Rs.15.21 crore remained pending. Further, the GMB could not recover supervision charges, scrutiny fee, etc. leviable at the rates applicable at the time of construction of jetty.

GMB stated (April 2004) that the Government had directed (August 2003) the GMB to consider the said jetty as captive jetty and enter into agreement with GSFC. But agreement could not be entered into by the GMB as the issues like deciding the status of jetty, rate of wharfage charges were still not finalized.

Thus, due to indecision on the part of the GMB and the Government levels, agreement with GSFC remained pending and Rs.15.21 crore along with interest remained blocked.

3.3.10 Realisation of Port Revenue

3.3.10.1 Irregular transfer of port revenues

Under the provision of Section 33 of Indian Ports Act, 1908, port dues are recoverable from each ship entering the Port. Government is vested with sovereign rights as owner of the waterfront. Accordingly, port dues in respect of vessels entering any minor Port in Gujarat were recoverable by the GMB.

GMB entered into an agreement with the Gujarat Pipavav Port Limited(GPPL) (September 1998) for development of Pipavav Port. As Pipavav Port was not declared by the State Government as a Port under the Indian Ports Act, 1908, the GMB decided (March 1999) to pass on the full amount of port dues collected by the GMB to GPPL from the ships coming at Pipavav Port.

A captive jetty of L&T Cement Limited under the control of the GMB is situated adjoining to Pipavav Port developed by GPPL. It was noticed in audit that the port dues collected by the GMB for vessels coming at L&T jetty were also transferred to GPPL. This irregular transfer of revenues resulted in loss of Rs.3.27 crore (2000-01 to March 2005) to the GMB.

It was stated that since GPPL is incurring expenditure on maintenance of port channel, the port dues collected by the GMB were transferred to them. Reply was not tenable as the Port developed by GPPL at Pipavav was not declared as a Port under the Indian Ports Act, 1908 and captive jetty of L&T was under control of the GMB.

3.3.10.2 Non compliance to statutory provisions

Section 31 of the Indian Ports Act, 1908 stipulates that no vessel of measurement of two hundred tonnes or upwards shall enter, leave or be moved in any port to which this Section has been specially extended without having a pilot or Harbour Master on board. This was to ensure port safety and security and these provisions were made compulsory to Porbandar, Bhavnagar, Okha and Sikka Ports.

It was noticed (June 2005) in audit that vessels coming at Reliance Captive Jetty at Sikka Port were flouting port safety and security, as pilots were provided by Captive Jetty holder themselves instead of the GMB. Port Officer, Bedi Port did not give any reason for allowing the Captive Jetty holders to pilot the vessels.

As per Schedule of Port Charges (July 2003), pilotage charges were recoverable when pilot vessel was not provided by the GMB but pilotage was mandatory. Accordingly, in all, 507 vessels were handled by the Port between July 2003 and March 2004 on which pilotage of Rupees eight crore should have been recovered. Port Officer stated (June 2005) that since no pilotage was provided, question of recovery does not arise. The reply of the Port Officer was not tenable, as allowing pilotage through captive jetty holders not only resulted in violation of statutory requirement of Indian Ports Act, 1908 but also loss of revenue to the extent of Rupees eight crore.

3.3.10.3 Short recovery of wharfage

Incorrect application of rates led to short recovery of dues

As per agreement (January 2000) for captive jetty with Essar Oil Limited at Magdalla Port, the licensee was entitled to a concession in wharfage rate, for the cargo handled from one GMB Port to any other Port in India at a rate of 15 per cent or at the rate as may be applicable from time to time. This concession was provided as per provisions of Schedule of Port Charges (SOPC) and was effective from May 1998. This rebate was withdrawn with effect from 18 July 2003 in revised Schedule of Port Charges. Despite this, the Port Officer, Magdalla worked out wharfage rate after allowing 15 per cent rebate on the ground that the same was applicable as per terms of the agreement which resulted in short recovery of wharfage charges to the tune of Rs.3.69 crore on cargo handled (July 2003 to March 2005).

Similarly, at Sikka Port, the rebate was extended to Reliance Port & Terminal Limited on 65.65 lakh MT of petroleum cargo handled (July 2003 to March 2005) which resulted in short recovery of Rs.5.91 crore (Rs.4.73 crore towards set off as jetty rebate and Rs.1.18 crore towards revenue)⁵⁴.

3.3.10.4 Wharfage rebate

As per Schedule of Port Charges revised with effect from 18 July 2003 for handling of cargo from one GMB port to another GMB port, the parties were entitled to a rebate of 25 per cent in wharfage rate prescribed. Over and above

⁵⁴ Out of total short recovered amount Rs.5.91 crore, 80 per cent would have gone towards setting off cost of jetty as jetty rebate and 20 per cent against actual short recovery in cash

this, the agreement entered into (August 1999) by GMB with Reliance Industries Limited (RIL), Hazira for operating a captive jetty it was provided that if liquid cargo was handled at Single Point Mooring (SPM), the wharfage rate would be considered as 50 per cent of the wharfage rate prescribed in Schedule of Port Charges.

Incorrect calculation of rebate on wharfage rate led to short recovery of wharfage charges

As RIL was handling their product viz., Naptha and Paraxylin from Sikka Port to Hazira Port, they were entitled to a rebate of 25 per cent in wharfage charges. Though rebate of 25 per cent was required to be worked out on reduced wharfage rate as per agreement (after allowing 50 per cent reduction in the wharfage rate), the Port Officer, Magdalla incorrectly applied the rebate of 25 per cent on full wharfage rate. This resulted in short recovery of wharfage charges to the tune of Rs.4.07 crore between July 2003 and March 2005 (Rs 3.26 crore as short adjustment of jetty rebate and Rs.0.81 crore towards revenue).

The Port Officer, Magdalla stated (June 2005) that the rebate was given as per terms of agreement and as per Schedule of Port Charges. The reply was not correct as rebate should have been worked out and restricted after reducing wharfage rate by 50 per cent.

3.3.10.5 Expenditure on operation and maintenance

A 55-seat capacity passenger launch ML Gomti was purchased by the GMB in 2000-01 at a cost of Rs.1.29 crore. The launch was put to use for plying between Okha and Beyt Dwarka. The launch was given (April 2000) on contract for MMO&R.

A scrutiny of income earned and expenditure statements of the launch, revealed that during 2000-05, as against the total income of Rs.29.04 lakh, the expenditure on maintaining the launch amounted to Rs.1.20 crore. Thus, due to operation of the launch at lower passenger rate compared to actual cost per passenger, the GMB suffered a loss of Rs.90.96 lakh. Meanwhile, the GMB gave licence to about 60 boats for plying between Okha and Beyt Dwarka in addition to the passenger launch also resulting in under utilisation of this launch. Thus, maintenance of passenger launch resulted in huge loss to the GMB.

3.3.11 Ship breaking activities

3.3.11.1 Non payment of dues

GMB developed and allotted (1994-95) 173 plots at Alang and 15 at Sachana for ship breaking. The plots at Alang were allotted on lease to the highest bidder for a period of ten years.

Defective terms of agreement resulted in non recovery of Rs.14.87 crore

As per agreement, the plot holders at Alang were required to handle a minimum of 0.60 lakh Light Displacement Tonnes (LDT) in the first block of six years (1994-2000), 0.30 lakh LDT in the second block of three years (2000-2003) and 0.10 lakh LDT in the last block of one year (2003-04). If minimum LDT was not handled, the parties were required to pay difference of LDT handling charges at Rs.108 per LDT. To cover itself against non-

payment of differential LDT, the GMB did not include into the contract any provision for furnishing of bank guarantee/security.

It was seen in audit that at the end of first block (1999-2000), 23 plot holders did not handle minimum LDT and also failed to pay difference of LDT charges of Rs.9.30 crore. The differential amounts were not recovered as of July 2005. Similarly, on completion of second block (2003-04), three plot holders failed to handle minimum LDT of 0.30 lakh. An amount of Rs.58 lakh, being difference of LDT charges was not yet recovered as of July 2005. For the last block of one year ended (September 2004), 84 parties failed to handle minimum LDT and the difference of minimum handling charges amounting to Rs.4.99 crore was yet to be recovered (July 2005).

Thus, defective terms of agreement resulted in blocking of revenue to the extent of Rs 14.87 crore for which no penal provisions were provided in the agreement.

Premium on plots allotted amounting to Rs.7.75 crore not recovered

It was also noticed that as per conditions of agreement, parties were required to pay premium on plots on installment basis. Though the lease period of ten years was over in 2004-05, premium of Rs.7.75 crore from 24 parties remained un-recovered (July 2005).

The deficiency in the contract by not providing for financial safeguards to cover situation of non-payment of lease charges/LDT had led to the situation of accumulation of dues.

3.3.12 Monitoring and Control

3.3.12.1 Incorrect application of orders of the Director General of Shipping

With a view to control oil pollution, the Director General (DG) of Shipping issued a circular (August 1999) to all Major Ports in India to levy port charges on reduced Gross Reduced Tonnage (GRT) mentioned in the International Tonnage Certificate in respect of oil tankers having segregated ballast tanks.

Though Sikka Port was not a major port and the orders of the DG, Shipping were not yet implemented by the State Government to minor ports, the Port Officer, Bedi Port, Jamnagar (a minor port under the GMB) incorrectly levied berth hire charges on reduced GRT in respect of vessels arrived at Reliance Jetty, Sikka during August 1999 to September 2003 resulting in short recovery of berth hire charges to the tune of Rs.68 lakh. Thus, the incorrect implementation of orders without the knowledge of the GMB/Government resulted in short recovery of berth hire charges.

The Port Officer, Bedi Port, Jamnagar replied (June 2005) that the Reliance had agreed to the short recovery (May 2005), however, payment was yet to be received (June 2005).

3.3.13 Conclusion

Though overall traffic of the GMB had increased, share of jetties of the GMB in cargo handling was dismal. High cost of in-house dredging was due to non assessment of its requirement and dredging done not being as per estimates besides wasteful expenditure on it. The terms and conditions for construction of captive jetties/private jetties/ship breaking plots were not fixed in advance

besides there were other contractual defects which led to non recovery of dues. Incorrect application of rebates and other dues resulted in short recovery of revenues.

3.3.14 Recommendation

- Available port infrastructure should be put to optimal usage.
- The terms and conditions for agreements for construction of captive jetties/private jetties/ship breaking plots should be finalized in advance and agreements should be entered into before implementation.
- Dredging should be carried out after due and proper assessment of estimates.

CHAPTER-IV

AUDIT OF TRANSACTIONS

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CHAPTER-IV

AUDIT OF TRANSACTIONS

4.1 Misappropriation

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

4.1.1 Doubtful purchase of material

Taluka Development Officers of Muli and Wadhwan drew Rs.1.49 crore for purchase of material during 2000-02 under Employment Assurance Scheme flouting all set rules and procedures raising doubts on genuineness of the purchases.

A Centrally sponsored Employment Assurance Scheme (EAS) introduced in the State in 1993 was aimed to provide gainful employment for hundred days in a year in the lean agricultural season to maximum two adults per family (in the age group of 18 to 60 years). The scheme was reintroduced with effect from April 2002. A test check of the records (May 2005) of the Taluka Development Officers (TDO) of Muli and Wadhwan¹ revealed that material (mainly sand, stone-metal and cement) worth Rs.1.49 crore² were purchased from a single vendor during 2000-02 in connection with execution of EAS works. This amount was drawn through 58 bills. The following irregularities were noticed in audit in the purchase of this material:

- Public Works Account Code provides that Administrative Approval and Technical Sanction are required to be obtained before commencement of any work. However, these were not found on record.
- Public Works Account Code also provides that quotations or tenders should be invited to obtain competitive rates. TDOs had not followed the procedure of inviting the quotations or tenders.
- TDOs had not maintained stock-registers and thus scrutiny of receipts and issues of material was not susceptible for verification by audit.
- As for bills and receipts available with the TDO, Wadhwan, it was noticed in audit that the supply bills were not machine numbered and did not contain Sales Tax registration numbers, handwriting in supplier's bills resembled with the handwriting of pay order purported to have been made by an official from the TDO, signature of supplier

¹ Under District Panchayat, Surendranagar

² TDO, Muli-Rs.96.85 lakh and TDO, Wadhwan-Rs.51.84 lakh

in the bills and receipts differed, serial number of bills were so consecutive to infer that the supplier had no business other than with the TDO, bill numbers were not in the sequence with the period of works.

- Supplier's bills and receipts for payments were not on record with the TDO, Muli.
- Measurements Books in connection with execution of work (for which material was purchased) were not produced for scrutiny.

On being pointed out (August 2005) in audit, the Collector, Surendranagar admitted (October 2005) that, *prima facie*, the issue involves malpractices by the concerned officers and action would be taken against them in due course.

The matter was referred to the Government (May 2005); reply had not been received (November 2005).

4.2 Overpayment/Unfruitful/Wasteful expenditure

FINANCE DEPARTMENT

4.2.1 Overpayment of pensionery benefits

Failure of Treasury Offices and Public Sector Banks in observing financial rules and orders resulted in overpayment of pensionery benefits amounting to Rs.72.01 lakh.

As per the Gujarat Treasury Rules and the Gujarat Civil Service (Pension) Rules, 2002 and Scheme for pension payments by the Public Sector Banks (PSBs) as applicable to the State of Gujarat, the Treasury Officers (TOs) and the PSBs were responsible for ensuring the correctness of pension payments made with reference to the records maintained by them, before incorporating the transactions in their accounts. They were required to maintain the register in the prescribed form for keeping a comprehensive record of pension payments and each entry of the monthly payment register was to be checked by the TOs/PSBs in token of having applied required checks. The TOs were also required to incorporate the transactions relating to payments made by the PSBs in their monthly accounts on the basis of scrolls received through the State Bank of India after proper verification.

During scrutiny of the records of the Treasury Offices by the Accountant General (Accounts and Entitlement), Gujarat (2002-05) and further transactions of 10 treasuries³ and various branches of seven PSBs⁴ reviewed by the Accountant General (Civil Audit), Gujarat (July-August 2005) revealed

³ Anand, Ahmedabad, Amreli, Bharuch, Gandhinagar, Himatnagar, Jungadh, Mehsana Surat and Vadodara

⁴ State Bank of India, State Bank of Saurashtra, Bank of Baroda, Bank of India, Central Bank of India, Dena Bank and Union Bank of India

the excess payment of pension and family pension aggregating Rs.72.01 lakh in 227 cases, which includes:

- Rupees 21.35 lakh of excess authorization of pension pertaining to 47 cases.
- Rupees 0.39 lakh on account of continued authorization of 'personal pension' along with pension in four cases although personal pension had been discontinued with effect from January 1996.
- Rupees 1.10 lakh due to excess drawal of Dearness Allowance in 10 cases.
- Rupees 49.17 lakh on account of enhanced payment of family pension at rates beyond the dates specified in the Pension Payment Orders (PPOs) in 166 cases although the payment at enhanced rate was required to be discontinued after the dates specified in PPOs.

Further scrutiny of the records revealed that death certificates were not found on record in 13 cases, entries of payment of pensions were not made in 702 cases in PPOs, required certificates like life, non-re-employment and non remarriage certificate were not found on record in 1,182 cases and pension payments in 10 cases were made on the photo copies of PPOs and originals were not available.

Thus due to failure on the part of TOs/PSBs in observing the relevant rules and orders not only resulted in overpayment of Rs.72.01 lakh but also irregular payment of pension in 1,907 cases due to non observance of provisions of the Gujarat Civil Service (Pension) Rules, 2002. It was observed in audit that a system for checking of pension payment records at PSBs level had not been evolved as of November 2005.

These points were referred to the Government (September 2005); reply had not been received (November 2005).

NARMADA, WATER RESOURCES, WATER SUPPLY AND
KALPSAR DEPARTMENT

4.2.2 Unfruitful expenditure

Lack of planning resulted in unfruitful expenditure of Rs.54.82 lakh towards minimum electricity charges.

Damanganga Right Bank Canal based Chinchai Lift Irrigation Scheme (CLIS) which was to provide irrigation facilities to 7,700 hectares of land in 18 villages of Valsad district was administratively approved (August 1997) for Rs.13.35 crore. CLIS was executed by the Damanganga Canal Distribution Division-2 (DCDD), Valsad and envisaged construction of feeder canal, intake pump-house with high tension electric line of 1,800 KVA, etc. Scrutiny of the records in audit (November 2004) revealed as under:

The work of construction of feeder canal was allotted (April 2002) at a tendered cost of Rs.1.61 crore to the contractor 'A' to be completed by March 2004. The work, however, remained incomplete as of May 2005.

The civil work including providing and commissioning of eight vertical turbine pumps was allotted (October 1999) to the contractor 'B' at Rs.10.73 crore to be completed by October 2001. This work also remained incomplete as of May 2005.

Though the civil work had not progressed as per schedule, the division proceeded and executed (March 2000) an agreement with the Gujarat Electricity Board (GEB) for 1,800 KVA power supply and deposited (March 2000) Rs.1.12 crore⁵ with them. According to the terms of the agreement, the DCDD was to draw the power from March 2001. However, as civil works were at initial stage of construction, the GEB granted an extension of time for six months upto September 2001. Since no power was drawn even after extended period, the GEB started levying minimum bill for contracted demand at the rate of Rs.1.98 lakh per month (from September 2001). GEB disconnected the supply in January 2002 and terminated the power agreement in January 2004. GEB adjusted (October 2003) its demand of Rs.65.32 lakh from the security deposit of Rs.54.82 lakh and raised demand for balance of Rs.10.50 lakh towards minimum bill. Thus, lack of planning in execution of the agreement by the division as per progress of civil works and feeder canal resulted in unfruitful expenditure of Rs.54.82 lakh as minimum power charges on power bill with accompanied liability towards the same to the tune of Rs.10.50 lakh (Rs.65.32 – Rs.54.82 lakh).

The matter was referred to the Government (July-2005); reply had not been received (November 2005).

ROADS AND BUILDINGS DEPARTMENT

4.2.3 Wasteful expenditure

Failure to carryout California Bearing Resistant test in violation of Government instructions resulted in wasteful expenditure of Rs.2.10 crore.

According to the Government instructions (December 1984), for the road alignments passing through black cotton soil, the California Bearing Resistant (CBR) test, for ascertaining soil bearing capacity was required to be carried out for arriving at correct crust thickness. The work of Dhrangadhra bye pass road⁶ on Virangam-Dhrangadhra-Halvad road was executed (May 1991) at a cost of Rs.20.56 lakh without conducting CBR test. The road was opened for traffic in August 1997 after construction of bridge across river Falku.

⁵ Rs.56.70 lakh towards new connection and Rs.54.82 lakh as security deposit

⁶ 0/0 km to 6/750 km

Scrutiny of the records of Roads & Building (R&B) Division, Surendranagar (December 2004) revealed that since soil strata in two kilometre stretch was of black cotton soil, the pavement was damaged during every monsoon requiring an expenditure of Rs.2.10 crore⁷ on its repairing during the period 1998-2004 by way of current and special repairs.

The bye pass road linking Kachchh and Ahmedabad districts had constant traffic of heavy vehicles and since the pavement was heavily damaged during each monsoon, the division carried out CBR test and proposed (December 2003) to strengthen the pavement to the crust thickness as required as per the test results. The division failed ensuring the mandatory CBR test before commencement of the work of bypass road; the subsequent test that was carried out had also not been implemented and as such the road was left to the vagaries in absence of permanent treatment.

Thus, construction of road without carrying out CBR test and non-execution of permanent treatment despite heavy damage every year resulted in wasteful expenditure of Rs.2.10 crore on repairs.

The matter was referred to the Government in June 2005; reply had not been received (November 2005).

4.2.4 Unfruitful expenditure on construction of bridge

Failure to ensure completion of works resulted in unfruitful expenditure of Rs.1.27 crore.

Construction of bridge and approach in place of dip on Lathi-Liliya section of State Highway-114 (Work-A) and strengthening of Savarkundla-Ranghola road (Work-B) were allotted to two contractors⁸ in November 2000 and July 2000, at their total tendered cost of Rs.2.61 crore⁹ with stipulated dates of completion by February 2002 and March 2002 respectively. The contractors abandoned (December 2001 and March 2002) the work on account of delay in payments, after executing work of minor bridges, drains and water bound macadam (WBM) treatment worth Rs.1.27 crore.

Scrutiny of the records (April 2004) of R&B Division, Amreli (Division) revealed that the work of laying of bituminous surface on WBM was not executed by both the agencies despite notices. The division proposed (December 2003) relieving the contractor of Work-A treating the partly completed work as complete; final orders for which were awaited (November 2005) from the Department. In respect of Work-B, no remedial action for getting the work completed was taken as of November 2005.

Thus, taking up the work without ensuring availability of funds resulted in unfruitful expenditure of Rs.1.27 crore. Possibility of fast deterioration of WBM surface could not be ruled out due to heavy monsoon of last two years.

⁷ May 1998 (Rs.48 lakh), August 1999 to July 2000 (Rs.12 lakh), April 2000 to November 2000 (Rs.31 lakh), May 2002 to December 2003 (Rs.23 lakh) and October 2002 to July 2004 (Rs.96 lakh)

⁸ Work A- Janak Constructions Pvt. Ltd., Surat and Work B-Shivam Constructions Pvt. Ltd., Amreli

⁹ Work A-Rs.88.28 lakh and Work B-Rs.172.75 lakh

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2004-05/Edu/668, dated 11/03/11

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Executive Engineer stated (April 2004) that the roads were motorable and safe. The reply was not tenable as the roads were in use even before taking up work of improvement and strengthening. Bituminous treatment, which was required within a reasonable time for protecting of WBM treatment to achieve the required quality of specifications and against damages during monsoon, was not done.

The matter was referred to the Government (August 2005); reply had not been received (November 2005).

4.3 Excess/Avoidable expenditure

EDUCATION DEPARTMENT

4.3.1 Maintenance grant to aided schools

Non adherence to the norms prescribed by the Government resulted in excess payment of maintenance grant of Rs.1.44 crore by seven District Education Officers.

Government fixed (July 1999) norms for maintenance grant to the non-Government aided schools, according to which schools were entitled for grant at the rates of Rs.1,800, Rs.1,500 and Rs.1,000 per class per month for schools having upto five class rooms, six to 30 class rooms and more than 30 class rooms respectively. Deviating from these scales, the Commissioner of Schools directed (March 2000) the District Education Officers (DEOs) to regulate maintenance grant as under:

Serial No.	Category of School	Amount of grant per class per month	Resultant excess payment per class per month
1.	Schools upto five class rooms	Rs.1,800	Nil
2.	Schools having class rooms between six and 30 class rooms	Rs.1,800 for first five class rooms and Rs.1,500 for class rooms from six and above	Rs.300 for the first five class rooms
3.	Schools having more than 30 class rooms	Rs.1,800 for first five class rooms, Rs.1,500 for class rooms six to 30 and Rs.1,000 for class rooms over 30	Rs.800 for the first five class rooms and Rs.500 for class rooms from six to 30

A test-check of the records of seven DEOs¹⁰ (August 2004, June-July 2005) revealed excess payments of Rs.1.44 crore (2002-04) of maintenance grant due to issuing incorrect instructions as above in respect of 390 schools having more than five class rooms and eight schools having more than 30 class rooms. When pointed out in audit, the DEOs stated (August 2004 and June-July 2005) that maintenance grant was paid on the basis of the instructions of

¹⁰ Amreli, Bhavnagar, Jamnagar, Junagadh, Kachchh, Porbandar and Surendranagar

the Commissioner of Education. Commissioner of Education stated (May 2005) that the matter was referred to the Government (January 2005); the decision was awaited (May 2005). The reply of the Commissioner was not tenable as he was required to issue instructions to the DEOs according to the norms fixed by the Government.

The matter was referred to the Government in July 2005; reply had not been received (November 2005).

NARMADA, WATER RESOURCES, WATER SUPPLY AND
KALPSAR DEPARTMENT

4.3.2 Avoidable extra cost due to non finalisation of tender within validity period

Delay by the Government in processing tenders beyond validity period resulted in extra expenditure of Rs.72.74 crore.

Tenders for supply of 50,000 MT of MS Plates for laying of pipe line for transmission of Narmada Water to dams of North Gujarat were invited (January 2002) by the Executive Engineer (EE), Irrigation Mechanical Division (IMD), Gandhinagar. Validity of the tender was 120 days (upto 11 July 2002). In response, solitary offer of the Steel Authority of India (SAIL) was received quoting rates of Rs.19,128.72 per MT which was reduced during negotiation (23 March 2002) to fixed rate of Rs.16,732 per MT. Government accepted the offer (25 July 2002) after 14 days from the date of expiry of validity period of tender and hence the SAIL expressed (31 July 2002) unwillingness to execute the agreement. Government could have expedited the acceptance within the validity period.

Records of the division revealed (July 2004) that during the validity of offer of the SAIL, the tenders were irregularly re-invited (June 2002) with two options i.e. (i) departmental supply of plates and (ii) contractor's own supply of plates. Since the SAIL did not accept order on account of expiry of its offer, the Government opted (August 2002) for second option. The estimates of the project were revised upwards considering the then prevailing rate of steel at Rs.22,394 per MT. The work which was split in six packages, was allotted (December 2002 to March 2003) and completed between September 2004 and January 2005. During the period, 65,670 MT of steel plates were consumed leading to extra avoidable expenditure of Rs.37.18 crore compared to rate of Rs.16,732 per MT offered by the SAIL; besides payment towards star rate¹¹ Rs.5,662/MT difference of Rs.35.56 crore.

¹¹ The price variation on steel brought by the contractor, linked with RBI index is payable as per formula laid down and as per this Rs.35.56 crore was additionally paid

Thus, injudicious delay in finalisation of tender of the SAIL by the Government resulted in avoidable extra expenditure of Rs.37.18 crore¹² on tendered rate difference and Rs.35.56 crore on star rate difference.

On being pointed in audit, the Government stated (August 2005) that tender was accepted within validity period. This was not tenable because as per terms of tender it was valid for a period of 120 days from the last date of receipt of tender i.e. 13 March 2002 to 11 July 2002. Thus, acceptance of tender (25 July 2002) was delayed by 14 days.

4.4 Idle investment/Blockage of funds

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.4.1 Injudicious decision of the Gujarat Water Supply and Sewerage Board to borrow from a financial institution

Non acceptance of beneficial offer of Life Insurance Corporation and injudicious decision of the Gujarat Water Supply and Sewerage Board to borrow money from Karur Vysya Bank Limited resulted in blocking of Rs.104.04 crore and liability of Rs.43.45 crore towards interest of which Rs.2.62 crore had already been paid.

Gujarat Water Supply and Sewerage Board (Board) is a body established under an Act of the State Legislature. Objectives of the Board include execution of individual/group water supply and sewerage schemes on behalf of the Government and hand them over to the concerned local self-governing bodies for operation and maintenance. These schemes are executed with the Government budgetary support and/or obtaining loans from the financial institutions.

The terms and conditions of loan from LIC provided that the Board shall have no right to prepay the principal outstanding of the loan in full or in part except after obtaining prior approval in writing of LIC. Due to declining interest rates, loans from LIC became uneconomical. When the Board requested for the consent (June 2003) for prepayment of Rs.67.66 crore¹³, LIC informed (October 2003) the Board to pay Rs.108 crore¹⁴ (principal) and Rs.10.28 crore (75 per cent net present value (NPV) of loss of interest) for settlement of accounts. However, the Board did not confirm the offer of LIC within 30 days as required. As of August 2004, loans aggregating Rs.100.52 crore were outstanding from LIC. These were repayable up-till February 2028 and carried interest varying from 8.5 to 13 per cent. In November 2004, the Board decided

¹² Retendered rate- Rs.22,394/MT minus SAIL's rate-Rs.16,732/MT=Rate difference-Rs.5,662/MTx 65670 MT = Rs.37.18 crore

¹³ Outstanding loan aggregating Rs.80 crore with rate of interest of 13 per cent

¹⁴ Entire outstanding loans with interest rate varying 8.5 to 13 per cent

to make pre-payment of the entire outstanding of Rs.100.52 crore and requested LIC of their consent, which was not received.

Karur Vysya Bank Limited (KVBL) offered (November 2004) to lend Rs.100 crore for resetting the high-cost debts of the Board. In a partially modified offer (November 2004), KVBL brought down the rate of interest to 7.9 per cent.

Board availed (December 2004) the loan (repayable in 10 years) of Rs.100 crore from KVBL and unilaterally remitted Rs.104.04 crore to LIC in full settlement of the dues without the consent of LIC. Due to breach of agreement (regarding obtaining prior written permission for repayment before due dates), LIC refused to receive the payment (April 2005). But as a special case LIC agreed to accept it, if the Board makes payment of interest at the rate provided in the agreement upto the date of payment of principal and Rs.21.08 crore (future interest loss discounted at 8.5 per cent) within 30 days. LIC also stated that in case these were not paid within the stipulated date, the payment of Rs.104.04 crore made would be treated as excess remittance and held in suspense account (without interest) for adjustment against normal installments as and when these fall due. A proposal made by the Board (April 2005) to the Government for making payment of Rs.24.34 crore to LIC (Rs.21.08 crore towards future interest loss; Rs.1.66 crore for deferred interest payment due in August 2005 and Rs.1.60 crore deferred interest payment for prepayment of loan) was pending with the Government (July 2005). In this connection, following observations are made:

- Unilateral remittance to LIC breaching the agreement between the parties resulted in blocking of Rs.104.04 crore without earning any interest. This amount would only get adjusted against future installments as and when these fall due.
- A sum of Rs.43.45 crore would be payable to KVBL towards interest over a period of 10 years. Since no benefit was accrued out of advance payment to LIC, payment of interest of Rs.43.45 crore would be loss to the Board. Board had already paid Rs.2.62 crore (April 2005) towards interest.
- LIC initially offered settlement (October 2003) of accounts on payment of Rs.10.28 crore (75 per cent NPV loss of interest), which was not availed. Against this the Board sent proposals to the Government for settlement of the account on making payment of Rs.24.34 crore.

Thus, non acceptance of beneficial offer of LIC and injudicious decision of the Board to borrow money from KVBL resulted in blocking of Rs.104.04 crore and loss of Rs.43.45 crore, of which Rs.2.62 crore had already been paid.

When pointed out in audit, the Board stated (April 2005) that looking to the current market fluctuation and revision of interest rates, the Government opined that LIC loans on higher interest rate should be restructured. Board also forwarded proposal to LIC for prepayment of the entire loan with due interest, which was not considered by LIC. Board, therefore followed the

instructions/guidelines and availed the loan from KVBL. The reply of the Board was not tenable, as the written consent of LIC was a pre-requisite for prepayment of the loan.

When the matter was referred to the Government in July 2005; it was replied (November 2005) that the intention of the Government was to minimize the interest burden of high cost on LIC loans after availing of low cost bank loan. It was also stated that LIC loans were guaranteed by the Government and on making repayment, the Board would be free from the burden of guarantee fee. But the fact remains that by remitting the loan amount to LIC without their consent, Rs.104.04 crore were blocked; besides creation of interest liability of Rs.43.45 crore of which Rs.2.62 crore had already paid (April 2005).

4.4.2 Idle investment on an incomplete irrigation project

Failure to take up canal work even after the period of five years since completion of dam work resulted into idle investment of Rs. 8.11 crore and denial of intended benefits to the people.

To provide irrigation in 764 hectares of land in Botad and Dhandhuka talukas, the Government accorded (September 1995) administrative approval (AA) for Rs.9.96 crore for construction of Kaniyad Water Resources Project (Project) on river Utavali near village Kaniyad and the technical sanction (TS) for head works for Rs.3.47 crore was issued in September 1995. The construction of earthen dam, masonry spillway and spillway bridge was completed in March 1999 at a cost of Rs.2.65 crore by the Executive Engineer (EE), Bhavnagar Irrigation Project Division (BIPD). The EE, Mechanical Division-7, Ahmedabad did the fabrication of gates for the dam during April 1998 to December 1999 at a cost of Rs.1.10 crore. A total expenditure of Rs.8.11 crore¹⁵ was incurred on the Project as of December 2004. Audit scrutiny (June 2004) revealed that even after a lapse of five years after completion of dam work and fabrication of gates, canal works were not taken up as land acquisition for construction of main canal (3.66 km) and distributaries (5.20 km) was not completed (December 2004). The command area of the Project was finalised in October 1998 and technical sanction for main canal and distributaries was issued in July 1999. Though design for Head Regulator (HR) was finalised in September 1995, the land acquisition proposal for canal work was submitted to the Revenue authorities in June 1999 and was still pending (December 2004). Meanwhile, the construction of HR was completed in July 2003 at a cost of Rs.12.78 lakh.

Thus, delay in initiating land acquisition process and selection of site for head regulator led to non-completion of canal works and non-utilisation of the reservoir.

The Executive Engineer, BIPD stated (September 2004) that canal work could be taken up only after (i) finalisation of command area, (ii) according of AA, overall technical sanction (OTS) and Detailed Tender Papers (per canal) and (iii) finalisation of land acquisition proposal. EE further stated that there were

¹⁵ Land-(Rs.1.48 crore), head works-(Rs.2.76 crore), gates-(Rs.1.10 crore), canals-(Rs.0.27 lakh) and others-(Rs.2.77 crore)

indirect benefits to the farmers after completion of dam work as subsoil water table in the surrounding area had increased and farmers have utilised the water from their wells due to recharging of water.

Reply of the EE was not tenable as the command area was finalised in October 1998 and AA and OTS for canal work were accorded by the Government belatedly in July 1999 and the indirect benefits in no way impinged upon the construction of proposed canal planned for irrigation of land for which investment on the dam was made.

The matter was referred to the Government (June 2005); reply had not been received (November 2005).

4.4.3 Idle investment in construction of Minor Irrigation Schemes

Failure to complete canal works resulted in idle investment of Rs.7.78 crore on construction of six Minor Irrigation Schemes.

Saurashtra region of Gujarat is a drought-prone area; the average annual rainfall ranges between 500 and 800 mm. It is, therefore, necessary to harness rain-water to the extent maximum possible. Executive Engineers (EEs) of Panchayat Irrigation Divisions (PID), Bhavnagar, Jamnagar and Junagadh have executed six Minor Irrigation Schemes (MIS) to provide irrigation to 2,941 acres of land.

It was observed in audit of these Panchayat Irrigation Divisions that due to delayed acquisition of land for canals or dropping of canal works during 2000-02, benefits of constructions of MISs were not accrued. It was, however, observed that though the canal work, which was ultimately to provide irrigation had not started, an expenditure of Rs.7.78 crore had already been incurred on head works and other subsidiary and ancillary works like office building, store building, work charge payments, etc. Position of constructions of head works and canals were as under:

Sl. No.	Name of Minor Irrigation Scheme	Date of completion of headworks	CCA (In acres)	Expenditure incurred (Rupees in crore)	Progress of work	
					Land acquisition	Canal works
I. District Panchayat, Bhavnagar						
1	Chhaya	October 2000	649	0.59	Acquired (September 2004)	Not started
2	Nagdhaniba	January 2001	262	1.28	Acquired (June 1993)	Stopped since March 2001
3	Varal	February 2002	864	0.79	Acquired (July 2002)	Not started
II. District Panchayat, Jamnagar						
4	Nani Bhalsan	June 1998	265	1.58	Proposed to drop canal works	Not started
5	Veraval	August 1998	230	0.77	Not acquired	Not started
III. District Panchayat, Junagadh						
6	Sonardi	February 2002	671	2.77	Not acquired	Not started
	Total		2,941	7.78		

When pointed out in audit, it was stated (March 2005) by the

- EE, PID, Bhavnagar that proposal for sanction of extra items for MIS-Nagdhaniba was pending with the Government and that tenders for MIS-Chhaya and MIS-Varal would now be invited.

- EE, PID, Jamnagar that acquisition award in respect of MIS-Veraval was declared in November 2002, but due to non allotment of grants, land could not be acquired. Meanwhile a proposal had been submitted (September 2002) to the Government for dropping canal works of Nani Bhalsan MIS.
- EE, PID, Junagadh that process of acquisition of land was under process and possible date of completion of canal works would be known only when works are allotted after completion of land acquisition.

Thus, due to non synchronization of canal works along with dams in respect of these six dams, benefits of irrigation did not accrue to 2,941 acres of land, besides resulting in idle investment of Rs.7.78 crore.

The matter was referred to the Government in June 2005; reply had not been received (November 2005).

4.4.4 Idle investment and blockage of funds

Awarding works without obtaining possession of 75 per cent of land as per codal provisions resulted in idle investment and blockage of Rs.9.95 crore on incomplete irrigation projects; besides deprival of irrigation benefit to 2,425 hectares of the land.

According to paragraph 232 of the Gujarat Public Works Department Manual read with the Government in Roads and Buildings Department letter of August 1995, tenders could be invited only after taking possession of 75 per cent land. As per Clause 39 of the agreement, the Executive Engineer (EE) was required to hand over 100 per cent land within two years of issue of work order.

In following two irrigation projects, the works were commenced before acquiring 75 per cent of land leading to non-completion of projects and idle investment of Rs.9.95 crore as detailed below:

Particulars	Veradi III Water Resources Project	Sabli Water Resources Project
Projected irrigation potential	1,206 ha	1,219 ha
Name of Division	Und Canal Division, Jamnagar	Junagadh Irrigation Project Division, Junagadh
Estimated cost	Rs.11.89 crore	Rs.5.95 crore
Tendered cost	Rs.7.97 crore	Rs.8.59 crore
Date of allotment of work	February 2000	April 2000
Stipulated date of completion of work	February 2003	November 2002
Date of stoppage of work	June 2004	September 2001
Value of work done	Rs.7.31 crore	Rs.2.64 crore
Total land required	322.56 ha	239 ha
Land handed over to the contractor	249.95 ha	73 ha

No further progress was noticed (December 2005). EEs stated (March 2005/July 2004) that at the time of allotting the works it was expected that required land would be obtained during execution. However, land could not be acquired due to non co-operation of land owners and slow process of land acquisition.

Awarding the work without obtaining 75 per cent of land as per codal provision resulted in idle investment and blockage of Rs.9.95 crore on incomplete irrigation projects; besides deprival of irrigation benefit to 2,425 hectares of land of Jamnagar/Junagadh districts.

On being pointed out (June 2005) in audit, the Secretary to the Government stated that acquisition of land was beyond their control. The reply was not tenable as division was required to act as per codal provisions.

ROADS AND BUILDINGS DEPARTMENT

4.4.5 Idle investment on Indroda Bridge

Non construction of link road resulted in idle investment of Rs.18.39 crore on construction of Indroda bridge.

Government decided (1986-87) to divert the traffic of National Highway (NH) 8-C passing through the sensitive VIP area of Gandhinagar and maintain Gandhinagar pollution free by constructing a new bridge across the river Sabarmati near village Indroda.

Construction of main bridge and approaches on both the sides and link road on the western side commenced in November 1994 and April 1997 was completed in May 2000 and March 2002 at a cost of Rs.10.68 crore and Rs.6.32 crore respectively. As of December 2004, the Department incurred Rs.18.39 crore¹⁶ including land acquisition and other work related expenditure.

Scrutiny of the records of the Executive Engineer (EE), Capital Project Division-III (CP-III), Gandhinagar revealed (January 2005) that the bridge could not be networked to NH-8 on eastern side due to non taking up of strengthening and improvement of existing road on eastern side and construction of Lawarpur bypass road as proposed. EE's proposal (October 2000) for link road at an estimated cost of Rs.3.85 crore was turned down (November 2001) by the Government due to paucity of funds and second proposal (June 2003) at a revised cost of Rs.3.98 crore was pending with the Government (January 2005).

Thus, failure to provide funds to strengthen and widen the link road for NH traffic rendered the entire investment of Rs.18.39 crore on the construction of

¹⁶ Land acquisition (Rs.58.11 lakh), bridge (Rs.10.68 crore), approaches (Rs.6.32 crore), work charge (Rs.3.32 lakh) and others (Rs.78.16 lakh)

VOR recd. from UD & VH Dept. vide No.
PAC/1006/1127-B dt. 29-1-07

AR-VOR-105 | Para-4.4.6 & 4.4.7
dt. 13-2-07

bridge and approaches as unproductive, besides defeating the very purpose of providing security to VIPs and pollution control.

On this being pointed out (August 2005) in audit, the Government stated that strengthening of link road was under consideration and the bridge was put to use. This was not tenable as the existing road with zig zag and curved alignment, insufficient formation width and crust thickness and lesser carriage width as compared to carriage width of the bridge was not compatible with NH standards as such the purpose of ensuring diversion of the traffic was not achieved since the existing road was unfit for heavy vehicle and heavy traffic.

URBAN DEVELOPMENT AND URBAN HOUSING
DEPARTMENT

4.4.6 Blockage of funds on vacant houses

Lack of demand and non-provision of basic amenities resulted in blockage of Rs.11.31 crore on vacant houses.

As a part of 20-point programme (1986) for removal of poverty, the Gujarat Housing Board (Board) constructed 6,705 houses at a cost of Rs.20.28 crore during 1996-2000 for sale to economically weaker sections in urban areas of Ahmedabad, Bhavnagar, Rajkot and Vadodara districts as per list of beneficiaries identified by respective District Collectors. Of these 6,705 houses, 2,604 houses costing Rs.11.31 crore could not be disposed off (October 2004) due to lack of demand and non-provision of basic amenities. With the passage of time, houses became susceptible to damage and deterioration, thus losing their marketability. Board stated (October 2004) that efforts will be made to provide water through hand pumps and dispose of houses through publicity in newspapers.

Thus, lack of demand and non-provision of basic amenities resulted in blockage of Rs.11.31 crore besides defeating the very purpose of providing low cost housing accommodation to the economically weaker section of the society.

The matter was referred to the Government (July 2005); reply had not been received (November 2005).

4.4.7 Parking of funds

Gandhinagar Urban Development Authority did not take adequate action for purchase of fire fighting system out of the Government grant of Rupees two crore; instead the amount was deposited in interest bearing deposit.

Gujarat Financial Rules (GFR) provide that no money shall be drawn from Treasury unless it is required for immediate disbursement. It is also not permissible to draw money from Treasury in anticipation of demand or to avoid lapse of Budget grant. GFR further provide that grants for specified

Page No. 4.5.1
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vide. No. Rep/ Civil/ 0012/ 15(479)/ 2004-05/
Ldu/ 668, dated 11/3/11
(P. 40/c)

purposes should be utilized within reasonable time and unutilized grants be surrendered to the Government.

Government sanctioned (March 2001) Rupees two crore to the Gandhinagar Urban Development Authority (GUDA) for purchase of 'Snorkel' fire fighting system (FFS) for developing basic infrastructure facilities for the areas falling under the jurisdiction of the GUDA. The amount was drawn (March 2001) from Treasury. The Board of the GUDA constituted a Purchase Committee (March 2002), but except making business enquiries, no action was taken for the purchase of FFS (May 2005). GUDA deposited (April 2001) the amount in short-term interest bearing deposits with the Gujarat State Financial Corporation and renewed it from time to time. The amount had mounted to Rs.2.52 crore (December 2004) when deposits were renewed for a further period of 460 days. Though no effective action was on hand for purchase of FFS, the GUDA did not surrender the grant to the Government. Thus, the purpose for sanction of grant for FFS was defeated denying benefits to the people besides resulting in blockage of the Government funds.

When pointed out (June 2005) in audit, the Government stated (July 2005) that as the amount was sanctioned during last month of the financial year, the amount was temporarily deposited with a Government financial agency as per standing instructions and the deposit renewed from time to time. It was also stated that the GUDA had no technical personnel to handle this highly technical FFS and that its cost was presently more than Rs.4.5 crore, which required additional assistance from the Government. GUDA was, therefore, being directed to finalise proposal for purchase of FFS taking assistance from the Gujarat State Disaster Management Authority. The reply of the Government was not tenable as funds were with the GUDA from March 2001 for purchase of the FFS, but nothing concrete was done in the matter. Moreover, the price of the FFS had also considerably increased and additional funds from the Government would be required for its purchase. Had the GUDA taken necessary action immediately on receipt of funds, this likely additional expenditure on account of enhanced cost also could have been avoided.

4.5 Regulatory issues and other points

EDUCATION DEPARTMENT

4.5.1 Irregular payment of Transport Allowance

Maharaja Sayajirao University, Vadodara made irregular payment of Transport Allowance amounting to Rs.80.83 lakh to the teaching staff not governed by the University Grants Commission scales.

Government Resolution (May 1998) provides for payment of Transport Allowance to its employees effective from April 1998 at the rates prescribed and subject to conditions specified therein. According to the Circular issued

(July 2001) by the Commissioner of Higher Education, teaching staff of Colleges not getting University Grants Commission (UGC) scales were not entitled for payment of Transport Allowance granted under the Government Resolution. Registrar, Maharaja Sayajirao (MS) University, Vadodara accordingly clarified (October 2001) the position to all the Heads of Departments/Faculties.

A scrutiny of the records of the MS University revealed (August 2004) that in contravention of the directives of the Commissioner of Higher Education and clarification of the Registrar, 183 teaching staff members of Faculties of Technology and Engineering and Pharmacy were paid Transport Allowance aggregating Rs.80.83 lakh (April 2001 to March 2005), though they were not governed by the UGC scales. The Dean, Faculty of the Technology and Engineering, MS University stated (March 2005) that the payment of Transport Allowance would be stopped from April 2005, and recovery would be kept in abeyance till the matter is settled.

Fact remained that even after pointing out by audit (August 2004) no action for recovery of Rs.80.83 lakh had been initiated by the University.

The matter was referred to the Government in June 2005; reply had not been received (November 2005).

HOME DEPARTMENT

4.5.2 Non recovery of Water charges from employees occupying Government accommodation

District Superintendent of Police, Jamnagar did not recover from the employees occupying Government accommodation, Rs.60.65 lakh paid to the Jamnagar Municipal Corporation towards their water charges.

Rule 148 of the Bombay Contingent Expenditure Rules (BCER) read with Note-2 below Rule 846 of the Bombay Civil Service Rules (BCSR)¹⁷, as applicable to the State of Gujarat provide that water charges levied by way of Municipal taxes are recoverable from the occupants of the Government accommodation.

A scrutiny of the records (January 2003) of the District Superintendent of Police (DSP), Jamnagar revealed that water charges paid to the Jamnagar Municipal Corporation (JMC) in respect of the Government accommodation occupied by the Police personnel were not recovered from the concerned employees. During 2000-05, the DSP, Jamnagar paid of Rs.60.65 lakh to the JMC, which remained to be recovered (June 2005) from the employees occupying Government accommodation.

When pointed out in audit, the DSP, Jamnagar stated (June 2005) that the matter was under correspondence with the Government. At the Government

¹⁷ Inherited from erstwhile bi-lingual State of Bombay on bifurcation into Gujarat and Maharashtra States

VOR recd. from VD & VH Dept. vide
No. PAC/1006/1127-B dt. 29-1-07

AR-VOR-105
dt. 13/2/07

| Para 4.5.3

level, the matter remained under consultation with the Finance and Roads and Buildings Departments. However, the Finance Department had issued clarificatory instructions (July 2005) that the water charges were recoverable; thus substantiating the audit contention. Thus, non compliances of BCSR by the DSP/Department resulted in non recovery of Rs.60.65 lakh from its employees since 2000-01.

The matter was referred to the Government in July 2005; reply had not been received (November 2005).

URBAN DEVELOPMENT AND URBAN HOUSING
DEPARTMENT

4.5.3 Loss on disposal of land

Irregular disposal of land at very low rate to a private trust resulted in loss of Rs.13.18 crore to the Gujarat Housing Board.

Gujarat Housing Board (Board), Ahmedabad leased out (April 2001) to a private trust for 99 years land admeasuring 1,72,801 square metre (sq. mtr.) at Jahangirabad, Surat at the rate of Rs.37 per sq. mtr. plus annual ground rent of Rs.10,000 for establishing a self financed medical college.

Scrutiny of the records of the Board revealed (June 2004) as under:

As per the Government instructions (January 1998), value of land was required to be assessed from the Chief Town Planner before disposing of surplus land for non-agriculture purposes. However, no such valuation report was obtained by the Board before transfer of its land to the trust. As against sale rate of Rs.800 per sq. mtr. communicated (July 1999) to the Government by the Board, the Government fixed (October 2000) value at token lease rate of Rs.37 per sq. mtr. leading to undue favour to the trust and loss to the tune of Rs.13.18 crore to the Board. The reasons for fixing the token rate were not intimated to audit.

Instead of outright sale of land, the Board favoured the trust by leasing of land for 99 years and thereby avoided execution of sale deed which ultimately led to the loss of revenue of Rs.1.94 crore¹⁸ towards stamp duty payable by the trust under the Bombay Stamp Registration Act, 1956.

The land was acquired from the land holders by the Board for construction of housing scheme and earmarked as such by the Surat Urban Development Authority (SUDA). The transfer of land for a purpose other than that for which it was acquired as per SUDA plan was also irregular.

Thus, undue favour to a private party by the Government ignoring its own instructions of January 1998 resulted in loss of Rs.15.12 crore.

The matter was referred to the Government (September 2004); reply had not been received (November 2005).

¹⁸ 14 per cent of recommended sale price of Rs.13.82 crore, i.e. Rs.1.94 crore

GENERAL

PANCHAYATS, RURAL HOUSING AND RURAL
DEVELOPMENT DEPARTMENT

4.5.4 Lack of response to audit findings

Response to audit findings was not adequate in respect of one District Panchayat and one District Rural Development Agency reviewed.

Accountant General (Civil Audit), Rajkot conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. After inspection, Inspection Reports (IRs) were issued to the Heads of the Departments with copies to the heads of the offices inspected. Rules framed by the Government provide for prompt response to ensure corrective action and accountability. Serious irregularities are brought to the notice of the concerned Secretaries in the form of draft paragraph. A half-yearly report is also sent to the Secretary of the administrative department in respect of pending IR paragraphs to facilitate monitoring of the audit observations.

A scrutiny of IRs issued upto March 2005 pertaining to the District Panchayat (DP), Himatnagar and District Rural Development Agency (DRDA), Junagadh revealed that 366 paragraphs relating to 80 IRs remained outstanding at the end of June 2005. Year wise position of outstanding IRs and paragraphs are detailed below:

Year in which IRs were issued	DP, Himatnagar		DRDA, Junagadh		Total	
	IRs	Paras	IRs	Paras	IRs	Paras
Upto 2000-01	47	143	4	65	51	208
2001-02	7	31	1	23	8	54
2002-03	6	23	1	8	7	31
2003-04	9	36	1	15	10	51
2004-05	3	13	1	9	4	22
Total	72	246	8	120	80	366

Even initial replies, which were required to be furnished by the heads of the offices within four weeks from the date of issue of IR, were not received in respect of 16 IRs (DP, Himatnagar) issued during 1993-2005. Lack of remedial action resulted in non-settlement of these outstanding paragraphs.

The matter was referred to the Government in August 2005; reply had not been received (November 2005).

CHAPTER-V

**INTERNAL CONTROL SYSTEM
IN GOVERNMENT
DEPARTMENTS**

PAID

UNITED STATES DEPARTMENT OF POSTS AND TELEGRAPHS
WASHINGTON, D. C.

CHAPTER-V

INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

HEALTH AND FAMILY WELFARE DEPARTMENT

5.1 Internal Control System in Health and Family Welfare Department

Highlights

Internal Control Mechanism aims to achieve compliance of stated policies and programmes, promote operational efficiency and effectiveness, encourage adherence to prescribed managerial practices and safeguard assets. Strict adherence to statutes, codes, manuals and departmental orders strengthens the internal control system. The check of internal control system in Health and Family Welfare Department revealed laxity in budgetary, expenditure and operational controls and deficiency in system of internal audit. Some of the significant points noticed are as follows:

Rupees 341.16 crore remained unutilised mainly due to vacancies and non-purchase of machinery and equipment.

(Paragraph 5.1.5)

There was a delay ranging between 18 and 562 days in submission of Detailed Contingent bills by the Director of Indian System of Medicines and Homeopathy for the amount of Rs.1.10 crore drawn on Abstract Contingent bills.

(Paragraph 5.1.7)

Inspection of drug manufacturing units and drawal of samples were inadequate.

(Paragraph 5.1.9)

Provisions of Civil Service (Conduct, Discipline and Appeal) Rules, 1971 were not followed. Prescribed Registers/records were either not maintained or were incomplete.

(Paragraphs 5.1.10 and 5.1.13)

There were large scale pendency in internal audit.

(Paragraph 5.1.17)

5.1.1 Introduction

Internal Control System envisages achieving economical, efficient and effective working consistent with the organisation's mandate by adherence to laws, regulations and management directives so as to prevent loss, wasteful expenditure and other irregularities.

The main objective of the Health and Family Welfare Department is to provide medical aid and treatment to the general public, control spread of diseases and epidemics, train personnel in medical and paramedical fields and popularise and implement Family Welfare Programme. The Internal Control in Health and Family Welfare Department is exercised on the basis of the Gujarat Financial Rules, the Bombay Treasury Rules, the Bombay Civil Service Rules, Conduct Rules and the orders issued from time to time.

5.1.2 Organisational set up

The Secretary, Health and Family Welfare Department supervises and controls six¹ Heads of the Department (HODs) for implementation of the Government policies and programmes of Health and Family Welfare Department. HODs of Health, Medical and Family Welfare wings are assisted by five Regional Deputy Directors². At district level, 23 District Hospitals are operational. The health care in rural areas was looked after by the Chief District Health Officers (CDHOs) and the Additional District Health Officers (ADHOs). Food and Drugs Control wing carries out the drug testing at Vadodara laboratory and Food testing through three laboratories³. Indian System of Medicines and Homeopathy (ISM&H) wing carries out its operation through 29 hospitals and 490 dispensaries. There were six Medical Colleges in allopathic system and four in Ayurveda to impart medical education.

5.1.3 Audit objectives

The objective of review was to see whether the Internal Control System of the Department provides a reasonable assurance of adequacy and effectiveness of

- Budgetary controls
- Cash controls
- Expenditure controls
- Operational controls
- Administrative controls and
- System of Internal Audit.

¹ Commissioner of Health, Medical & Family Welfare; Commissioner of Medical Education; Commissioner of Food and Drugs; Director of Central Medical Stores Organisation; Director of Indian System of Medicines and Homeopathy and Director of Employees State Insurance Scheme

² Ahmedabad, Bhavnagar, Gandhinagar, Rajkot and Vadodara

³ Bhuj, Rajkot and Vadodara

5.1.4 Audit coverage

Review of the adequacy and effectiveness of the Internal Control mechanism including internal audit arrangements in the Department for the period 2000-05 was conducted by check of records in the offices of Commissionerates/Directorates (six), two Regional Deputy Directors (RDDs) (out of five), two Medical College hospitals (out of six) and two Food Testing Laboratories (out of three) and one Drugs Laboratory, two District Hospitals (out of 23), seven Community Health Centres, four Primary Health Centres.

Audit Findings

5.1.5 Budgetary controls

Budget provision and the expenditure incurred thereagainst by the Department during 2000-2005 were as under:

(Rupees in crore)

Year	Outlay			Expenditure			Excess(+)/Saving(-)	
	Plan	Non plan	Total	Plan	Non plan	Total	Plan	Non plan
2000-01	260.00	753.88	1,013.88	213.72	775.82	989.54	(-) 46.28	(+) 21.94
2001-02	210.00	767.46	977.46	143.29	635.78	779.07	(-) 66.71	(-) 131.68
2002-03	213.87	709.59	923.46	151.99	707.56	859.55	(-) 61.88	(-) 2.03
2003-04	222.21	663.66	885.87	214.72	678.19	892.91	(-) 7.49	(+) 14.53
2004-05	252.94	690.58	943.52	246.86	671.57	918.43	(-) 6.08	(-) 19.01
	1,159.02	3,585.17	4,744.19	970.58	3,468.92	4,439.50		

Poor fund management and faulty preparation of budget estimates resulted in savings of Rs.341.16 crore and excesses of Rs.36.47 crore

During 2000-05, as against total outlay of Rs.4,744.19 crore, Rs.4,439.50 crore were expended leaving balance of Rs.304.69 crore. This indicates poor fund management and faulty preparation of budget estimates which resulted in huge savings. Government attributed (July 2005) non-utilisation of funds aggregating Rs.341.16 crore (2000-05) to vacant posts and non purchase of machinery and equipment for want of issue of approved tender by the Central Medical Stores Organisation (CMSO). Excess expenditure of Rs.36.47 crore was due to arrear payments on account of revision of pay scales (1998). As per the Gujarat Budget Manual, estimates for salary should be framed on the basis of expenditure likely to be incurred during the year for the persons likely to be on duty and their actual pay, irrespective of the actual sanctioned strength. Further, non-utilisation of the funds for other services such as purchase of machinery and equipment defeated the purpose for which it was provided.

5.1.6 Submission of Budget Estimates

Delay in submission of Budget Estimates ranged between seven and 84 days

Budget Manual provides that the HODs are required to submit the Budget Estimates (BEs) of the ensuing year to the Administrative Departments not later than first October of every year. The Administrative Departments are to scrutinise these estimates and forward them to the Finance Department by 15 October every year.

Scrutiny revealed that during 2000-05 there were delays ranging between seven and 84 days in submission of BEs by the HOD and Administrative Department. This indicated that the controls prescribed for submission of BE was not followed by the Department.

Expenditure controls

5.1.7 Submission of Detailed Contingent bills

Director, ISM&H delayed submission of DC bills aggregating Rs.1.10 crore by 18 to 562 days

Gujarat Financial Rules provide that the Officer, who drew funds on Abstract Contingent (AC) bills, should submit Detailed Contingent (DC) bills within three months from the date of drawal of money. However, the Director, ISM&H delayed submission of DC bills aggregating Rs.1.10 crore by 18 to 562 days (2000-05). Thus, ineffectiveness of the control defeated the very purpose of ensuring proper accountal of the expenditure incurred from the amounts drawn from AC bills.

5.1.8 Cash controls

Provisions of GTR were not followed for maintenance of cash book

Gujarat Treasury Rules (GTR) provides that all monetary transactions should be entered in the cash book as soon as they occur and to be attested by the head of office in token of check at the end of the closing. The head of the office should verify the totaling of cash book or have this done by some responsible subordinate other than the writer of the cash book and initial it as correct monthly. The GTR also provided that at the end of each month the head of the office should verify the cash balance in the cash book and record signed and dated certificate to that effect mentioning therein the balance both in words and figures. However, scrutiny revealed that in all the 13 test checked offices⁴ these provisions were not followed which defeated the very purpose of the relevant control mechanism.

It further provides that overwriting in Cash Book should be avoided. Any correction in the entry made should be attested by the competent authority to avoid any malpractice subsequently. However, in all the test checked offices the corrections of entries made in the cash book were not attested by the

⁴ (1) Secretariat, (2) Commissioner - H&M, (3) Director - ISM&H, (4) Commissioner-Food & Drugs, (5) Joint Director - Medical Education, (6) Pandit Dindayal Upadhyay Civil Hospital, Rajkot, (7) Padma Kunvarba Hospital, Rajkot, (8) Food and Drugs Laboratory, Vadodara, (9) Food Laboratory, Rajkot and (10) four Community Health Centres (Lodhika, Kotada Sangani, Kolithad and Virpur)

competent authority which indicated that prescribed controls for maintenance of cash book were not being adhered to.

Operational controls

5.1.9 Control over manufacturing/sales units

5.1.9.1 Inspection

Shortfall in inspection of manufacturing units and sales units ranged between 26 and 63 per cent and 39 and 75 per cent respectively

According to Rule 52(i) of Drugs and Cosmetics Act, 1945. (DC Act), Drugs Inspector was to inspect all premises licensed for manufacture and sales of Drugs at least twice in a year upto 2000-01 and once a year thereafter to ensure that the conditions of the licence and provisions of the Act and Rules made thereunder are being observed. The status of inspection carried out during 2000-05 was as under:

Manufacturing units

Year	No. of manufacturing units	Inspections to be carried out	Actually inspected	Shortfall in inspection	Percentage of shortfall
2000-01	3,220	6,440	2,364	4,076	63
2001-02	3,253	3,253	2,226	1,027	32
2002-03	3,267	3,267	2,288	979	30
2003-04	3,224	3,224	2,323	901	28
2004-05	2,850	2,850	2,109	741	26

Sales Units

Year	No. of Sale units	Inspections to be carried out	Actually inspected	Shortfall in inspection	Percentage of shortfall
2000-01	19,645	39,280	9,847	29,433	75
2001-02	20,412	20,412	9,210	11,202	55
2002-03	20,976	20,976	12,779	8,197	39
2003-04	20,645	20,645	11,091	9,554	46
2004-05	20,814	20,814	10,589	10,225	49

Shortfall in inspection of manufacturing/sales units ranged between 26 and 75 per cent. Department attributed the reasons for shortfall in inspections to shortage of Senior Drug Inspectors and Drug Inspectors.

5.1.9.2 Drawal of samples

According to Circular (June 1999) of the Commissioner of Food and Drugs, a Senior Drug Inspector (SDI) has to draw six samples a month to cover all the 2,850 registered manufacturing units in a year. Scrutiny revealed that there was shortage ranging between 18 and 60 *per cent* in the posts of SDI and 55 *per cent* in the posts of DI and consequent shortfall in sampling ranged from 18 to 60 *per cent* during 2000-05.

5.1.9.3 Analysis of food samples

Delay in forwarding report of analysis of food samples ranged between five and 315 days

The Prevention of Food Adulteration Rules, 1955 provides that the Public Analyst shall, within a period of two months from the date of receipt of any sample for analysis, send by registered post or by hand to the local (Health) authority a report of the result of such analysis. However, audit noticed delay ranging from five to 315 days in forwarding the report in 43 cases. Due to delay in sending of the result of the analysis, the purpose of ensuring timely and immediate action to stop consumption of food where substandard reports after analysis were received, was defeated.

5.1.9.4 Inspection of Blood Bank Units

Control mechanism provided under the DC Act to ensure analysis of blood samples was not followed

According to the provisions of DC Act, all the Blood Banks were to be inspected by SDI, DI and Assistant Commissioner periodically. However, the records regarding the number of inspections carried out were not maintained by the Department. The Commissioner stated (June 2005) that there is no practice to collect, maintain and preserve the data cum specific information regarding the number of Blood Banks inspected. Moreover, samples of blood and its components were not drawn and analysed by the Department due to lack of special facilities to maintain temperature at minus 30 degree centigrade and speedy transportation of the samples containing the components with short life span. Thus control mechanism provided under the DC Act to ensure adequate analysis of the blood samples was not followed.

Administrative control

5.1.10 Rules not followed

According to the Gujarat Civil Service (Conduct, Discipline and Appeal) Rules, 1971 modified up to August 1999, every Government servant is required to obtain prior permission from competent authority while acquiring any moveable or immoveable asset. The Rules further provide that the Gazetted/Non-Gazetted Government servants should furnish return of assets on 1st January every year. Audit scrutiny revealed that these provisions were not followed in the Department. In reply, the Department stated (September 2005) that these provisions would be followed.

5.1.11 Idle/unserviceable articles/land

The GFR provides that idle and unserviceable articles should be disposed of immediately and amount realised credited to the Government account. Scrutiny revealed that in two commissionerates⁵ 19 items of idle/unserviceable articles for which upset value was fixed (1987-2000) at Rs.7.56 lakh were lying undisposed of (November 2005). Further, land admeasuring 8,352 square metres with building at Ahmedabad was lying idle with the Commissioner of Health and Medical Services since January 2003. No action was taken by the Department either to dispose of the land or to utilise it fruitfully. This indicated inadequacy in control over unserviceable articles/land and building.

5.1.12 Departmental Manual

Department had not codified the instructions and issued Departmental Manual

Department followed Manual of Office Procedure issued by the General Administration Department and various internal control measures prescribed in a general Circular (August 1987). However, the Department had not yet codified the instructions issued from time to time on different subjects. In absence of departmental manual, control on various aspects of the administration of the Department could not be established.

5.1.13 Maintenance of records/registers

According to the provisions of the Bombay Treasury Rules various records/registers are required to be maintained, in prescribed form, by competent authorities; maintenance thereof to be watched by the head of office. This was reiterated (January 2004) by the Commissioner, Health, Medical and Medical Education. Twenty one registers such as Cash Book, Register of valuables (to watch the receipt of Fixed Deposits (FDs), Cash certificates, etc. in relation to contracts, etc.), Receipt Form (to watch all cash/cheque received by the Department), Statement of arrear claims (to watch payment of arrears), Register of Supplementary Bills (to watch the supplementary payments), Register of undisbursed pay and allowances, Register of Increments, Bills Register, Cheque Register, etc. were prescribed. However, only cash book was maintained in the prescribed form by the test checked offices. The heads of offices stated the registers were not maintained due to non-receipt of prescribed form from the Printing and Stationery Department.

5.1.14 Submission of Periodical Returns/Reports

Periodical returns/reports are tools of internal control mechanism through which the head of the department obtains information on various matters and instructs the field offices on deficiencies, if any, in the performance. Various monthly, quarterly, yearly reports/returns have been prescribed for being sent to the controlling offices by the prescribed date. Scrutiny of the records in

⁵ Commissioner of Food and Drugs and Commissioner of Health and Medical Services

respect of 10⁶ offices revealed that the submission of monthly expenditure statements, tour diaries and other periodical returns such as Epidemiological Return, position of food analysis and information, Education and Communication Return were delayed for periods ranging between 10 and 50 days.

5.1.15 Verification of Dead stock

According to the provisions of financial rules all dead stocks⁷ are to be verified and certificate to that effect recorded on the register maintained for this purpose. However, in 13 test checked offices dead stock was not verified during 2000-05. Thus, the control prescribed for this purpose was not followed.

Internal Audit

5.1.16 Deficiency in the system of Internal Audit

Internal audit reports contained only routine observations

Internal Audit (IA) is necessary to keep watch on strict compliance to the Government rules and orders as well as the pattern and the flow of Government spending. The internal auditors were primarily responsible to bring about fiscal discipline in their respective assignments by pointing out the system lapses and advising the Department/Directorate for taking corrective steps. The General Administration Department had specifically directed (August 1987) all the Government Departments while carrying out IA to assess the work done, the schemes and programmes carried out, the implementation of rules and regulations, hearing and redressal of the complaints of public and the Government servants and maintenance of office records.

However, the reports of IA contained only routine observations regarding the maintenance of records and drawal of bills, etc.

5.1.17 Pendency of IA

According to IA plan, all the offices of HOD were to be audited annually and subordinate offices were to be audited according to the periodicity prescribed based on the quantum of transaction. All the 1,386 subordinate offices were to be audited at least once in five years. However, audit noticed shortfall in IA of offices of the HODs and subordinate offices as shown below:

⁶ (1) Civil Hospital, Ahmedabad, (2) Joint Director, Medical Education, Ahmedabad, (3) Joint Director, Malaria, Gandhinagar, (4) Regional Deputy Director, Rajkot, (5) Chief District Health Officer, Rajkot, (6) Additional Chief District Health Officer, Rajkot, (7) Director, Food and Drug Laboratory, Rajkot, (8) Director Food and Drug Laboratory, Vadodara, (9) Chief Medical Officer, Padmakunvarba Hospital, Rajkot and (10) Community Health Centre, Lodhika

⁷ Dead Stock Register contains the details of furniture, fixtures, computers, equipment, etc.

Office of HOD by Administrative Department

Year	Number of HODs to be inspected	Actually inspected	Shortfall (Percentage)
2000-01	5	3	2 (40)
2001-02	5	None	5(100)
2002-03	5	None	5(100)
2003-04	5	2	3(60)
2004-05	5	2	3(60)

As against 25 IAs prescribed, only seven (28 per cent) IAs of HODs were conducted by Administrative Department during 2000-05.

Subordinate Offices by HODs

HODs	Number of units not audited			
	Above 20 years	10 to 20 years	5 to 10 years	Less than 5 years
HM&FW	6	188	19	36
Medical Education	None	2	10	6
Food and drugs	None	None	10	11
ISM & Homeopathy	None	1	20	22
Medical	None	None	25	27
ESIS	21	60	16	34
Total	27	251	100	136

Though all the units were to be covered by IA once in five years, in respect of 27 units IA was pending for more than 20 years. The pendency of IA in respect of 251 units ranged between 10 and 20 years and that of 100 units ranged between five and 10 years.

Thus the Department could not ensure strict compliance to the Government rules and orders as well as the pattern and the flow of the Government spending through internal audit.

5.1.18 Settlement of IA observations

Internal audit reports were to be issued to the respective subordinate offices for rectification of deficiencies.

Audit observed that there was no system for monitoring the clearance of the IA observation by the HODs. Timely issue of Inspection Reports to the Drawing and Disbursing Officers and monitoring the outstanding paragraphs and money value objections observed by IA could not be verified as the relevant control registers were not maintained in IA Wing.

5.1.19 Evaluation of the working of IA Wing

Deficiencies noticed in internal audit wing

The following deficiencies were noticed in the Internal Audit Wing which rendered IA in the Health and Family Welfare Department ineffective. Adequate staff was not deployed for IA. No training was provided to the staff engaged in internal audit to enrich their knowledge and improve their audit skills since formation of IAW. There was no departmental IA manual to guide the audit. Department had not devised and followed any risk based audit planning.

5.1.20 Inspection reports of the Accountant General

Observations as a result of the audit of Accountant General (AG) are communicated through Inspection Reports (IRs) to the Heads of Office. First replies to the IRs were to be sent to the AG within four weeks. A half yearly report on pending IRs is sent by the AG to the Secretary of the concerned administrative department to facilitate monitoring of the action on audit observations. Details of outstanding paragraphs (HOD wise) as of June 2005 were as below:

Year	Secretariat		Health & Medical		Medical Education		ESIS		ISM		Food & Drugs		CMSO	
	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
Upto 1999 -2000	8	17	80	122	45	142	15	22	24	46	9	16	7	7
2000-01	1	3	20	45	3	15	6	12	4	8	3	9	--	--
2001-02	1	1	7	27	13	51	6	9	--	--	4	7	1	8
2002-03	--	--	5	12	10	70	3	14	1	6	1	1	1	6
2003-04	1	2	16	42	13	66	10	24	--	--	--	--	--	--
2004-05	--	--	2	16	3	24	2	9	--	--	1	2	--	--
	11	23	130	264	87	368	42	90	29	60	18	35	9	21

As on October 2005, 861 paragraphs contained in 326 Audit Inspection Reports pertaining to the Department were pending settlement by various Drawing and Disbursing Officers. Out of these, 188 IRs with 372 paragraphs were outstanding for more than five years. Failure to ensure expeditious settlement of the objectives/irregularities brought out in Audit Inspection Reports may lead to continuance of the financial irregularities and lack of control on the financial management in the Department.

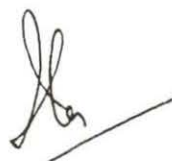
5.1.21 Conclusion

Control over Budget demands was inadequate and Budget Estimates were submitted late. The Department had not prepared Departmental Manuals. Inspections and drawal of samples of drugs manufacturing units were inadequate. Provisions of Conduct Rules were not implemented. Cash book and Service books were not properly maintained. Audit standards were not in existence and there was shortfall in the number of IAs. Shortfall in inspection

of manufacturing/sales units was also noticed. The control mechanism provided under the DC Act to ensure adequate analysis of blood samples was not followed.

5.1.22 Recommendations

- Budget control system should be strengthened to ensure demand of funds on a realistic basis and to avoid persistent savings.
- Internal audit should be conducted regularly to facilitate prompt rectification of deficiencies. Annual Plan for IA should be drawn up to cover all the DDOs over a period of time.
- Inspection of manufacturing units should be conducted as per norms.
- Control mechanism provided under the DC Act for analysis of blood samples should be ensured.
- Verification of cash book by the head of the office as provided in the Gujarat Treasury Rules should be ensured.



(ILA SINGH)

Accountant General (Civil Audit), Gujarat

Rajkot
The

8 MAR 2006

Countersigned



(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

New Delhi
The

10 MAR 2006

APPENDICES

210111A

APPENDIX - I

Summarised financial position of the Government of Gujarat as on
31 March 2005

(Reference: Paragraph 1.4 Page 4)

(Rupees in crore)

As on 31.03.2004	Liabilities		As on 31.03.2005
36198.38	Internal Debt		46488.77
12265.21	Market Loans bearing interest	14285.67	
252.49	Market Loans not bearing interest	72.57	
185.80	Loans from LIC	0.28	
1500.63	Loans from other Institutions	1520.44	
42.44	Ways and Means Advances	0	
21951.81	<i>Special securities issued to NSS Fund of Central Government.</i>	30609.81	
14208.36	Loans and Advances from Central Government		11431.41
132.83	Pre 1984-85 Loans	89.21	
2549.14	Non-Plan Loans	700.18	
11416.57	Loans for State Plan Schemes	10527.94	
56.26	Loans for Central Plan Schemes	51.83	
53.56	Loans for Centrally Sponsored Plan Schemes	62.25	
107.26	Contingency Fund		192.74
3641.29	Small Savings, Provident Funds, etc.		3871.73
7722.24	Deposits		8586.86
0	Deposit with Reserve Bank		127.57
1411.56	Reserve Funds		1670.05
--	Suspense and Miscellaneous		401.12
384.74	Remittance Balances		388.55
63673.83	Total		73158.80
As on 31.03.2004	Assets		As on 31.03.2005
28390.17	Gross Capital Outlay on Fixed Assets		32490.37
11219.83	Investments in shares of Companies, Corporations, etc.	12739.46	
17170.34	Other Capital Outlay	19750.91	
5184.77	Loans and Advances		5744.14
2659.21	Loans for Power Projects	2931.26	
2127.06	Other Development Loans	2417.83	
398.50	Loans to Government servants and Miscellaneous loans	395.05	
0.76	Advances		0.75
10.22	Suspense and Miscellaneous		
1887.95	Cash -		2692.62
36.48	Deposit with Reserve Bank		
26.74	Cash in treasuries and local remittances	260.15	
449.10	Departmental Cash Balances including Permanent Advances and investment of earmarked Funds	1109.07	
1375.63	Cash Balance Investments	1323.40	
28199.96	Deficit on Government Accounts		32230.92
3706.62	(i) Revenue Deficit of the Current Year	4036.86	
-	(ii) Miscellaneous Government Account		
24511.29	Add :	28199.96	
	Deficit on Government Account as on 31 March 2004		
(-)17.95	Other Adjustments	-5.90	
63673.83	Total		73158.80

APPENDIX - II

Abstract of Receipts and Disbursements for the year 2004-05

(Reference: Paragraph 1.4; Page 4)

(Rupees in crore)

Receipts		Disbursements							
2003-04		2004-05	2003-04	Non-Plan	Plan	Total	2004-05		
Section-A: Revenue									
18247.52	I Revenue receipts	20264.94	21954.14	20055.79	4246.01	24301.80	24301.80		
11173.43	Tax revenue	12957.70	9250.16	9954.02	70.29	10024.31			
			7075.68	5646.86	2204.07	7850.93			
3271.96	Non-tax revenue	3090.50	3683.40	3625.41	364.70	3990.11			
			878.13	720.06	224.51	944.57			
1965.48	State's share of Union Taxes	2219.30	988.33	420.11	800.70	1220.81			
			27.39	15.78	7.08	22.86			
392.78	Non-Plan grants	571.38	502.63	209.95	420.08	630.03			
			120.59	87.85	32.33	120.18			
1117.75	Grants for State Plan Scheme	957.67	855.03	547.56	351.71	899.27			
			20.18	20.14	2.96	23.10			
326.12	Grants for Central and Centrally sponsored Plan Schemes	468.39	5528.32	4311.60	1971.65	6283.25			
			746.49	517.19	418.96	936.15			
			606.31	186.21	621.97	808.18			
			27.61	26.03	4.61	30.64			
			370.18	313.60	61.87	375.47			
			2561.73	2103.48	519.62	2623.10			
			182.76	58.91	173.56	232.47			
			765.39	862.50	94.58	957.08			
			0.01	0.02	--	0.02			
			28.36	0.78	49.67	50.45			
			239.48	242.88	26.81	269.69			
			99.98	143.31	--	143.31			
3706.62	II Revenue deficit carried over to Section B	4036.86							
21954.14		24301.80	21954.14	Total					24301.80

Receipts		Disbursements							
2003-04		2004-05	2003-04		Non-Plan	Plan	Total	2004-05	
Section-B									
1483.20	III Opening Cash balance including Permanent Advances and Cash Balance Investment		1887.95	Nil	III Opening Overdraft from RBI				
17.95	IV Miscellaneous Capital receipts		5.90	3211.43	IV Capital Outlay-	189.46	3910.75	4100.21	4100.21
				58.27	General Services-	30.30	54.22	84.52	
				1162.06	Social Services-	88.97	1360.74	1449.70	
				9.24	Education, Sports, Art and Culture	0.80	11.03	11.83	
				8.54	Health and Family Welfare	-	26.49	26.49	
				491.62	Water Supply, Sanitation, Housing and Urban Development	85.51	765.71	851.22	
				0.28	Information and Broadcasting	-	0.07	0.07	
				7.33	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2.55	7.25	9.80	
				6.48	Social Welfare and Nutrition		0.49	0.49	
				638.57	Others	0.11	549.69	549.80	
				1991.10	Economic Services-	70.19	2495.79	2565.98	
				132.78	Agriculture and Allied Activities	3.82	107.66	111.48	
					Rural Development	-	-	-	
				1.55	Special Areas Programmes	-	1.27	1.27	
				1340.29	Irrigation and Flood Control	-	1765.37	1765.37	
				8.39	Energy	-	151.90	151.90	
				(-) 2.15	Industry and Minerals		0.30	0.30	
				510.24	Transport	65.68	466.72	532.40	
					Science & Technology		2.57	2.57	
					Communication	-	-	-	
					General Economic Services	0.69	-	0.69	
181.60	V Recoveries of Loans and Advances-		180.20	2424.80	V Loans and Advances disbursements	474.97	264.60	739.57	739.57
10.56	From Power Projects	18.28		2000.50	For Power Projects	193.48	96.86	290.34	
105.74	From Government Servants and Miscellaneous Loans	98.54		90.53	To Government Servants and Miscellaneous Loans	95.12	-	95.12	
65.30	From others	63.38		333.77	To Others	186.37	167.74	354.11	
	VI Revenue surplus brought down			3706.62	VI Revenue deficit brought down				4036.86
15007.75	VII Public debt receipts		13328.48	5395.39	VII Repayment of Public Debt				5815.04
12003.70	Internal debt other than ways and means Advances and Overdraft	11510.36		431.39	Internal debt other than Ways and Means Advances and Overdraft			1177.53	

Audit Report (Civil) for the year ended 31 March 2005

Receipts				Disbursements					
2003-04		2004-05	2003-04		Non-Plan	Plan	Total	2004-05	
	Net transaction under Ways and Means Advances including over draft		0.00				42.44*		
	Loans and Advances from Central Government	1818.12	4964.00				4595.07		
	VIII Inter State Settlement								
	IX Appropriation to Contingency Fund								
11.71	X Amount transferred to Contingency Fund		92.74	92.74	-3.36	10.62	7.26		7.26
25038.70	XI Public Account receipts		32787.59	25021.98					31018.87
	Small Savings and Provident funds	825.13		611.81			594.68		
	Reserve funds	428.73		229.26			170.24		
	Suspense and Miscellaneous	15164.78		10860.33			14753.44		
	Remittance	5512.26		4100.34			5508.45		
	Deposits and Advances	10856.69		9220.24			9992.06		
				1887.95					2565.05
	Closing overdraft from Reserve Banks of India			26.74			260.15		
				36.48			(-) 127.57		
				449.10			1109.07		
				1375.63			1323.40		
41740.91	Total		48282.86	41740.91					48282.86

* Represents receipts Rs. 3072.52 crore and disbursement Rs. 3114.96 crore.

APPENDIX – III
Sources and Application of Funds

(Reference : Para 1.4, Page 4)

(Rupees in crore)

2003-2004	Sources	2004-05
18247.52	1 Revenue receipts	20264.94
181.60	2 Recoveries of Loans and Advances	180.20
17.95	3 Miscellaneous Capital Receipts	5.90
9612.36	4 Increase in Public debt other than overdraft	7513.44
16.72	5 Net receipts from Public account	1768.72
283.36	Increase in Small Savings	230.45
447.63	Increase in Deposits and Advances	864.63
141.15	Increase in Reserve Funds	258.49
-1090.70	Net effect of suspense and Miscellaneous transactions	411.34
235.28	Net effect of Remittance transactions	3.81
-81.03	6 Net effect of Contingency Fund transactions	85.48
	7 Net effect of inter state settlement	
	8 Decrease in closing Cash balance	
27995.12	Total	29818.68
	Application	
21954.14	1 Revenue expenditure	24301.80
2424.80	2 Lending for development and other purposes	739.57
3211.43	3 Capital expenditure	4100.21
404.75	4 Increase in closing Cash balance	677.10
27995.12	Total	29818.68

Explanatory Notes for Appendix I, II and III:

1. The abridged accounts in the foregoing Statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Statement-I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement etc.
4. There was a difference of Rs 52.23 crore (credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposits with Reserve Bank" (June 2005).

APPENDIX - IV
Time series data on State Government Finances
(Reference: Paragraph 1.4; Page 4)

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Part A. Receipts					
1. Revenue Receipts (w)	15739	15986	17875	18248	20265
(i) Tax Revenue	9047(58)	9247(58)	9520(53)	11173(61)	12958(64)
Sales Tax	5943(66)	5857(63)	6252(66)	7170(64)	8309(64)
Taxes and duties on Electricity	1521(17)	1657(18)	1384(15)	1592(14)	1829(14)
State Excise	40	47	47	46	47
Taxes on vehicles	627(7)	677(7)	808(8)	936(8)	1061(08)
Stamps and Registration fees	537(6)	539(6)	650(7)	825(7)	963(08)
Land Revenue	82(1)	87(1)	95(10)	127(1)	235(02)
Taxes on goods and passengers	26	99(1)	11	172	160(01)
Other Taxes (w)	271	284	273	305	354(03)
(ii) Non Tax Revenue	3349(21)	3761(24)	3995 (22)	3272(18)	3090(15)
(iii) State's share in Union taxes and duties	1574(10)	1488(9)	1363 (8)	1966(11)	2219(11)
(iv) Grants in aid from GOI	1769(11)	1490(9)	2996 (17)	1837(10)	1997(10)
2. Misc Capital Receipts	22	2	52	18	6
3. Total revenue and Non debt capital receipts (1+2)	15761	15988	17927	18266	20271
4. Recoveries of Loans and Advances	2227	2207	171	182	180
5. Public Debt Receipts Internal Debt (excluding Ways and Means Advances and Overdrafts)	7686	8158	9684	15008	13328
6. Total receipts in the consolidated Fund (3+4+5)	25674	26353	27782	33456	33779
7. Contingency Fund Receipts	14	109	7	12	93
8. Public Accounts receipts	25129	23703	20666	25039	32788
9. Total receipts of the state (6+7+8)	50817	50165	48455	58507	66660
Part B. Expenditure /Disbursement					
10. Revenue Expenditure	22041(88)	22718(93)	21440 (90)	21954(87)	24302(86)
Plan	3001(14)	1821(8)	2067(10)	3309(15)	4246(17)
Non Plan	19040(86)	20897(92)	19373 (90)	18645(85)	20056(83)
General Services (incl. Interests payments)	6145(28)	7165(32)	8303 (39)	9250(42)	10025(41)
Social Services	7716(35)	7722(34)	6539 (31)	7076(32)	7851(32)
Economic Services	8130(37)	7775(34)	6494 (30)	5528(25)	6283(26)
Grants in aid and contributions	50	56	104	100	143(01)
11. Capital Expenditure	2995(12)	1757(7)	2341 (10)	3211(13)	4100(14)
Plan	2862(96)	1624(92)	2210 (94)	3052(95)	3911(95)
Non Plan	133(4)	133(8)	131 (6)	159(5)	189(05)
General Services	40(1)	28(2)	38 (2)	58(2)	84(02)
Social services	1050(35)	860(49)	1017 (43)	1162(36)	1450(35)
Economic Services	1905(64)	869(49)	1286 (55)	1991(62)	2566(63)
12. Disbursement of Loans and Advances	917	229	346	2425	740
13. Total (10+11+12)	25953	24704	24127	27590	29142
14. Repayment of Public Debt	1222	1239	3204	5395	5815
Internal Debt (excluding Ways & Means Advances and Overdrafts)	136	205	284	431	1178
Net transactions under Ways and Means Advances and Overdraft	NIL	292	410	Nil	42
Loans and Advances from Government of India*	1086	742	2510	4964	4595
15. Appropriation to Contingency Fund	NIL	NIL	Nil	Nil	Nil
16. Total disbursement out of Consolidated Fund (13+14+15)	27175	25943	27331	32985	34957
17. Contingency Fund disbursements	109	7	12	93	7
18. Public Account disbursements	23126	24603	20065	25022	31019
19. Total disbursement by the state (16+17+18)	50410	50553	47408	58100	65983
Part C. Deficits					
20. Revenue Deficit (1-10)	6302	6732	3565	3706	4037
21. Fiscal Deficit	7987	6511	6029	9142	8691
22. Primary Deficit	4856	2305	1080	3267	2612
Part D. Other data					
23. Interest Payments (Included in revenue exp.)	3131	4206	4949	5875	6079
24. Arrears of Revenue (Per centage of Tax & non-tax Revenue Receipts)	5663(36)	7680(48)	6575(37)	10517(58)	13166
25. Financial Assistance to local bodies etc.	834	2972	2968	2960	3204
26. Ways and Means Advances/Overdraft availed (days)	173/45	235/72	250/47	203/21	127/0
27. Interest on WMA/overdraft	8.16	23.35	15.32	12.08	3.47
28. Gross State Domestic Product (GSDP)	108484**	121038**	141066**	167356**	NA
29. Outstanding Debt (year end)	40007	45301	52572	62876	71083
30. Outstanding guarantees (year end)	12693	16219	18866	17473	15587
31. Maximum Amount Guaranteed (Year end)	13255	16781	19426	18032	16122
32. Number of incomplete projects	65	67	70	80	88
33. Capital blocked in incomplete projects	310	319	315	279	219#

*Includes ways and means advances from GOI

**figures adopted as per information furnished by department

#This amount does not include investment in Narmada Project which is being funded through Sardar Sarovar Narmada Nigam Limited, a State Government Public Sector Undertaking

Note :Figures in brackets represent percentages (rounded) to total of each sub heading

NA-GSDP figure for the year 2004-05 not available (February 2006).

APPENDIX – V

List of Indices/Ratios and basis for their calculation

(Reference : Paragraph 1.4; Page 5)

List of terms used in the chapter-I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	<u>Rate of Growth of the parameter</u> GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	<u>Rate of Growth of the parameter (X)</u> Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1] * 100$
Trend/Average	Trend of growth over a period of 5 years (LOGEST (Amount of 1999-2000: Amount of 2004-05)-1) *100
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	$\text{Interest Payment}/[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2] * 100$
Interest spread	GSDP growth – Weighted Interest rates
Interest received as <i>per cent</i> to Loans Advanced	$\text{Interest Received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2] * 100$
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts - all Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt

APPENDIX -VI

Status of accounts submitted by Autonomous bodies to State Legislature

(Reference: Paragraph 1.7.1; Page 14)

Sl. No.	Name of the Body	Period of entrustment of audit of Accounts to CAG	Year for which accounts Due	Year upto which accounts submitted	Year upto which Audit Report issued	Year upto which Audit Report submitted to State Legislature	Reasons for non finalisation of Audit Reports
1.	Gujarat Municipal Finance Board	March-2009	2004-05	2003-04	2002-03	2000-01	Under printing
2.	Gujarat Maritime Board, Gandhinagar	March-2007	2004-05	2003-04	2003-04	2000-01	For 2002-03 Under printing
3.	Gujarat Housing Board, Ahmedabad	March-2008	2004-05	2003-04	2002-03	Pending for presentation	
4.	Gujarat Slum Clearance Board	March-2008	2004-05	2002-03	2000-01	Pending for presentation	
5.	Gujarat Rural Housing Board	March-2008	2004-05	2003-04	2002-03	2002-03 10-6-2004	

APPENDIX - VII

Department wise/duration wise break-up of the cases of Misappropriation, defalcation etc. on which final action was pending at the end of September 2005

(Reference : Paragraph 1.7.2 ; Page 14).

(Figures in bracket indicate Rupees in lakh)

Sl. No.	Name of the Department	Up to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	20 to 25 years	25 years to More	Total No. of Cases.
01.	Port, Fisheries & Transport	01 (4.28)	03 (4.03)	-	-	-	01 (2.56)	05 (10.87)
02.	Agriculture, Co-operation & Rural Development	01 (29.01)	03 (2.97)	02 (2.21)	-	01 (0.75)	-	07 (34.94)
03.	Information & Publicity	01 (14.48)	-	-	-	-	-	01 (14.48)
04.	Legal & A.J.	-	03 (3.34)	01 (0.86)	01 (0.16)	-	-	05 (4.36)
05.	Labour & Employment	04 (0.68)	01 (0.18)	-	-	-	-	05 (0.86)
06.	Education	04 (1.59)	03 (6.37)	-	-	-	-	07 (7.96)
07.	Industries, Mines & Power	02 (0.53)	01 (0.68)	-	-	-	-	03 (1.22)
08.	Health & Family Welfare	06 (3.50)	03 (1.86)	02 (0.99)	01 (0.12)	01 (0.47)	06 (12.16)	19 (19.10)
09.	Home	03 (16.39)	02 (0.37)	06 (4.86)	-	-	-	11 (21.62)
10.	Forest & Environment	06 (7.96)	-	05 (3.23)	-	02 (1.10)	-	13 (12.29)
11.	Food & Civil Supply	01 (0.49)	-	-	-	-	-	01 (0.49)
12.	Finance	-	-	01 (3.00)	-	01 (2.47)	-	02 (5.47)
13.	Revenue	-	-	02 (9.30)	01 (0.15)	01 (0.22)	08 (1.46)	12 (11.13)
14.	Sports & Culture Youth Services	01 (4.47)	-	-	-	-	-	01 (4.47)
15.	Tribal & Development	01 (134.98)	-	-	-	-	-	01 (134.98)
16.	Road & Buildings	01 (343.27)	02 (1.63)	05 (8.36)	-	-	01 (0.19)	09 (353.45)
17.	Narmada, Water Resources and Water Supply	04 (9.63)	01 (0.77)	08 (5.36)	06 (3.84)	9 (.94)	05 (1.71)	33 (22.25)
18.	Urban Development & Urban Housing	02 (9.13)	-	-	-	-	-	02 (9.13)
19.	Land Revenue	02 (0.12)	05 (0.56)	03 (0.25)	04 (0.26)	08 (2.10)	12 (1.07)	34 (4.36)
	TOTAL	40 (580.51)	27 (22.76)	35 (38.42)	13 (4.53)	23 (8.05)	33 (19.15)	171 (673.42)

APPENDIX - VIII

Department/Category wise details in respect of cases of loss to Government due to theft, misappropriation/loss of Government material as at the end of September 2005

(Reference: Paragraph; 1.7.2; Page 14)

Name of Department	Theft Cases		Misappropriation/ Loss of Government Material	
	Number of Cases	Amount (Rs. in lakh)	Number of Cases	Amount (Rs. in lakh)
Port, Fisheries & Transport	2	3.53	3	7.34
Agriculture, Co-operation & Rural Development	1	1.21	6	33.73
Information & Publicity	1	14.48	0	0
Legal	1	0.05	4	4.31
Labour & Employment	4	0.57	1	0.29
Education	4	4.62	3	3.34
Industries, Mines & Power	2	0.53	1	0.68
Health & Family Welfare	4	3.28	15	15.82
Home	0	0	11	21.62
Forest & Environment	1	0.07	12	12.22
Food & Civil Supply	0	0	1	0.49
Finance	0	0	2	5.47
Revenue	0	0	12	11.13
Sports & Culture Youth Services	0	0	1	4.47
Tribal & Development	0	0	1	134.98
Roads and Buildings	3	1.57	6	351.88
Narmada, Water Resources and Water Supply	15	6.02	18	16.23
Urban Development and Urban Housing	0	0	2	9.13
Land Revenue			34	4.36
TOTAL	38	35.93	133	637.49

APPENDIX-IX

Details of Statutory Corporations and Government companies with Government investments which are in loss

(Reference : Paragraph 1.8.3 ; Page 16)

(Rupees in crore)

Sl. No.	Name of undertaking	Investment upto 2004-05	Accumulated Losses	Year of Account
01.	Gujarat Agro Industries Corporation Ltd.	8.08	14.17	2003-04
02.	Gujarat State Land Development Corporation Ltd.	5.87	94.13	2002-03
03.	Gujarat State Handloom and Handicrafts Development Corporation Ltd.	10.23	32.45	2002-03
04.	Gujarat State Road Development Corporation Ltd.	6.00	2.91	2003-04
05.	Gujarat State Rural Development Corporation Ltd.	0.58	1.40	2003-04
06.	Gujarat Safai Kamdar Vikas Nigam Ltd.			
07.	Gujarat State Civil Supplies Corporation Ltd.	10.00	2.37	2004-05
08.	Tourism Corporation of Gujarat Ltd.	20.00	19.73	2003-04
09.	Gujarat Water Resources Development Corporation Ltd.	31.49	29.00	2003-04
10.	Gujarat Water infrastructure Ltd.	59.92	15.23	2003-04
11.	Gujarat Industrial Investment Corporation Ltd.	256.98	231.33	2003-04
12.	Gujarat Rural Industries Marketing Corporation Ltd.	9.17	0.54	2003-04
13.	The Film Development Corporation of Gujarat Ltd.			
14.	Gujarat informatics Ltd.			
15.	Gujarat Electricity Board	-	7359.02	2003-04
16.	Gujarat State Road Transport Corporation	502.37	1093.45	2003-04
17.	Gujarat State Financial Corporation	49.09	872.48	2004-05
18.	Gujarat State Warehousing Corporation	2.00	2.88	2004-05
19.	Gujarat Fisheries Development Corporation Ltd.	1.94	4.87	1998-99
20.	Gujarat Dairy Development Corporation Ltd.	10.46	123.44	2004-05
21.	Gujarat Small Industries Corporation Ltd.	3.79	63.44	2003-04
22.	Gujarat Communication and Electronics Ltd.	12.45	104.74	2001-02
23.	Gujarat Trans-Receivers Ltd.	-	5.95	2003-04
24.	Gujarat State Textile Corporation Ltd.	46.47	908.55	1996-97
25.	Gujarat State Construction Corporation Ltd.	5.00	31.95	2003-04
26.	Gujarat State Machine Tools Ltd.			
27.	Gujarat Leather Industries Ltd.			
28.	Gujarat Women Economics Development Corporation Ltd.,	5.32	0.88	2003-04
29.	Gujarat Thakor and Koli Vikas Nigam	2.01	0.04	2004-05
	TOTAL	1059.22	11014.95	

APPENDIX-X

Substantial Savings in Grants/Appropriations

(Reference: Paragraph 2.3.1 (ii); Page 25)

Sl. No.	Sub Head	Total Provision	Savings (Per cent)	Main reasons of savings
		(Rupees in lakh)		
1 Agriculture and Co-Operation Department Revenue (Voted)				
1	3451- 00.800.01 Information and Technology (Plan)	243.00	163.42 (67.25)	Non installation of hardware and non completion of SWAN connectivity work.
6 Other Expenditure pertaining to Agriculture and Co-operation Department Capital (voted)				
2	7610- 00.201.00 House Building Advances	900.00	740.21 (82.25)	Receipt of less demand from the government servants.
8 Education Revenue (Voted)				
3	2202- 02.110.01 EDN-18- Regulated growth of Non-Government Secondary Schools(Plan)	2346.84	1687.38 (71.90)	Non-receipt/less receipt of administrative approval.
4	2202- 01.800.03 EDN-2 Constructions of class rooms for Primary Schools(Plan)	7278.44	1609.84 (22.12)	Reasons for savings have not been intimated.
5	2202- 01.106.04 EDN-3 Improvement of Physical facilities in Primary Schools(Plan)	2416.00	1495.19 (61.89)	Non-receipt of administrative approval.
6	2202- 80.001.10 EDN-12 Financial Assistance to Gujarat State Council of Educational Research and Training(Plan)	2070.00	1494.70 (72.21)	Non-receipt of sanction to two items.
7	2202- 80.800.22 EDN-48 Information and Technology (Plan)	1400.00	1341.16 (95.80)	Reasons for savings have not been intimated.

Sl. No.	Sub Head	Total Provision	Savings (Per cent)	Main reasons of savings
		(Rupees in lakh)		
8	2202- 03.102.12 EDN-71 Kranti Guru Shyamji Krishna Verma Kutch University (Plan)	1081.00	1027.55 (95.06)	Non filling up of vacant posts.
9	2202- 02.110.13 Computer Literacy and Studies in Schools(CLASS)	750.00	750.00 (100)	Reasons for savings have not been intimated.
9 Other Expenditure pertaining to Education Department Capital (Voted)				
10	7610- 00.201.01 House Building Advances	857.00	699.43 (81.61)	Receipt of less demand for advances.
12 Energy Projects Capital (Voted)				
11	6801- 00.202.03 Loans to Gujarat Electricity Board for Gujarat Power Sector Development Programme(Plan)	13300.00	12692.64 (95.43)	Reasons for savings have not been intimated.
19 Repayment of Debt Pertaining to Finance Department and its Servicing Capital (Charged)				
12	6003- 01.101.01 (1) Interest on Gujarat State Development Old Loan	20945.00	20945.00 (100)	Reasons for savings have not been intimated.
30 Elections Revenue (Voted)				
13	2015- 00.108.01 Issue of identity Cards to Voters	2000.00	1650.62 (82.53)	Issuance of less number of Photo Identity Cards due to poor response from the electors and also engagement of election machinery with Lok Sabha. Election held in April 2004.
44 Transport Capital (Voted)				
14	7055- 00.190.01 Loans to Gujarat State Road Transport Corporation (Plan)	5000.00	5000.00 (100)	Limited purchase of CNG buses.

Audit Report (Civil) for the year ended 31 March 2005

Sl. No.	Sub Head	Total Provision	Savings (Per cent)	Main reasons of savings
		(Rupees in lakh)		
46 Other expenditure pertaining to Home Department				
15	4216- 80.700.08 Partially Centrally Sponsored Scheme Jail Building(Plan)	988.50	665.89 (67.36)	Non-sanctioning of full scheme by the Government of India.
16	7610- 00.201.01 House Building Advance	2622.30	613.02 (23.38)	Reasons for savings have not been intimated.
17	4055- 80.211.02 (2) Centrally Sponsored Scheme 11th Finance Commission Financial Assistance against work to Gujarat State Police Housing Corporation Limited (Plan)	596.00	596.00 (100)	Reasons for savings have not been intimated.
18	2070- 00.107.02 (2) 25% Centrally Sponsored Scheme Border Wing	1087.50	554.07 (50.95)	Reasons for savings have not been intimated.
49 Industries Revenue (Voted)				
19	2851- 00.102.16 IND-1 Financial Assistance to Industries(Plan)	2736.00	1003.79 (36.69)	Less receipt of applications under Agro-Industries interest relief scheme from Gujarat Agro Industries Corporation Ltd.
20	2851- 80.800.26 IND-9 Development of Textile Industry(Plan)	4433.00	638.82 (14.41)	Non-materialisation of modernisation by existing power looms and schemes to provide assistance to research and development institute for development of textile.
65 Narmada Development Scheme Capital (Voted)				
21	4701- 01.190.31 Share Capital Contribution to Sardar Sarovar Narmada Nigam Limited(Plan)	42967.36	27816.56 (64.74)	Non-receipt of permission for extension of height of dam from NCA.
22	4071- 01.401.53 Miscellaneous (Plan)	22008.50	22000.86 (99.97)	Reasons for savings have not been intimated.

Sl. No.	Sub Head	Total Provision	Savings (Per cent)	Main reasons of savings
		(Rupees in lakh)		
68 Other Expenditure pertaining to Narmada, Water Resources and Water Supply Department Capital (Voted)				
23	7610- 00.201.01 (1) Loans to Government Servant for House Building	1330.00	762.81 (57.35)	Non-submission of required documents by employees in time.
84 Non-Residential Buildings Capital (Voted)				
24	4202- 01.203.42 Buildings(Plan)	1904.25	1822.56 (95.71)	Slow progress of the work.
86 Roads and Bridges Revenue (Voted)				
25	3054-80.800.84 Maintenance and Repairs	36639.05	3680.66 (10.05)	Reasons for savings have not been intimated.
86 Roads and Bridges Capital (Voted)				
26	5054- 03.337.11 Original Works	7800.00	2548.59 (32.67)	Reasons for savings have not been intimated.
27	5054- 03.337.11 Partially Centrally Sponsored Plan Original Works	682.36	644.50 (94.45)	Reasons for savings have not been intimated.
28	5054- 03.337.11 Partially Centrally Sponsored Scheme Original Works	682.36	642.49 (94.16)	Reasons for savings have not been intimated.
29	5054- 03.101.11 Original Works(Plan)	1119.59	602.35 (53.80)	Reasons for savings have not been intimated.
30	5054- 04.800.06 Rural Road (Plan)	1816.00	591.87 (32.59)	Reasons for savings have not been intimated.
87 Gujarat Capital Construction Scheme Capital (Voted)				
31	4217- 01.800.42 Building (Plan)	1645.50	854.55 (51.93)	Reduction imposed in revised estimates and receipt of less requirement from field officers.
	Total	191645.55	117336.53	

APPENDIX-XI

Statement showing cases where saving remained un-surrendered

(Reference: Paragraph 2.3.1 (iii); Page 25)

(Rupees in crore)

Sl. No.	Grant/Appropriation	Saving
	Revenue (Voted)	
1.	67 - Water Supply	1.18
2.	85 - Residential Buildings	2.33
	Capital (Voted)	
3	44 - Transport	48.22
4	67 - Water Supply	1.82
5	82 - Other expenditure pertaining to Revenue Department	2.25
	Total	55.80

APPENDIX - XII

Anticipated savings not surrendered

(Reference: Paragraph 2.3.1 (iii); Page 25)

(Rupees in crore)

Sl. No.	Grant/appropriation	Amount of saving	Amount surrendered	Amount not surrendered	Percentage not surrendered
	Revenue (Voted)				
1	49- Industries	31.22	29.64	1.58	5.05
2	60- Administration of Justice	5.47	3.62	1.85	33.85
3	77- Tax Collection Charges (RD)	1.70	0.16	1.54	90.70
4	79- Relief on account of natural calamities	8.60	7.05	1.55	18.03
5	95- Special Component Plan for Scheduled Castes	20.04	16.41	3.63	18.11
6	96- Tribal Area Sub-plan	24.67	2.29	22.38	90.71
	Capital (Voted)				
7	9- Other expenditure pertaining to Education Department.	8.17	6.97	1.20	14.72
8	12- Energy Projects	302.72	180.93	121.79	40.23
9	73- Other expenditure pertaining to PRH&RDD	2.24	0.70	1.54	68.62
10	84- Non-Residential Buildings	28.17	24.57	3.60	12.78
11	86- Roads and Bridges	326.05	322.21	3.84	1.18
	Total	759.05	594.55	164.50	

APPENDIX - XIII

Statement showing the excess over Grant/Appropriation requiring regularisation

(Reference: Paragraph 2.3.3 ; Page 27)

(In Rupees)

Sl. No.	No. and Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess
	Revenue (Voted)			
1	2- Agriculture	4837208000	4850019487	12811487
2	5- Co-operation	368116000	371093515	2977515
3	8- Education	41425451000	42266288318	840837318
4	12- Energy Projects	24335966000	24597099572	261133572
5	17- Pension and Other retirement benefits	14152996000	14579209314	426213314
6	22- Food	124410000	127993000	3583000
7	38- Medical and Public Health	7506999000	7640542696	133543696
8	40- Other expenditure pertaining to H&FWD	1395000	1551894	156894
9	43- Jails	260454000	268894085	8440085
10	55- Other expenditure pertaining to I&BD	29820000	31212156	1392156
11	61- Other expenditure pertaining to LD	119827000	120604198	777198
12	73- Other expenditure pertaining to PRH&RDD	1094252000	1261566037	167314037
13	80- Dangs District	210516000	211411000	895000
14	86- Roads and Bridges	5737323000	6711988218	974665218
15	88- Other expenditure pertaining to R&BD	110000000	121937640	11937640
16	91- Social Justice and Empowerment Department	21770000	22253505	483505
17	100- Urban Development and Urban Housing Department	15830000	15833752	3752
18	104- Other expenditure pertaining to UD&UHD	10198000	10200421	2421
	Revenue (Charged)			
19	12- Energy Projects	12500000	520270700	507770700
20	66- Irrigation and Soil Conservation	5046000	5647693	601693
21	68- Other expenditure pertaining to NWRWS&KD	25225000	25330412	105412
22	81- Compensation and assignments	1594000	3134539	1540539

Sl. No.	No. and Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess
	Capital (Voted)			
23	36- Loans and Advances to Government servants in GLS	2007000	5098200	3091200
24	63- Other expenditure pertaining to L&PAD	705000	1292500	587500
	Capital (Charged)			
25	12- Energy Projects	0	1184798300	1184798300
26	19- Repayment of debt pertaining to FD and its servicing	75573759000	88875200614	13301441614
27	73- Other expenditure pertaining to PRH&RDD	0	23701000	23701000
28	81- Compensation and assignments	200000	403370	203370
29	96- Tribal Area Sub-plan	3473000	5105014	1632014
	Total	175987040000	193859681150	17872641150

APPENDIX - XIV

Cases of unnecessary Supplementary Grants/Appropriations

(Reference: Paragraph 2.3.5; Page 28)

(Rupees in crore)

Sl. No.	Grant/Appropriation	Original grant/Appropriation	Supplementary grant/Appropriation	Expenditure	Saving
	Revenue (Voted)				
1	1- Agriculture and Co-operation Department	6.14	0.08	4.59	1.63
2	7- Education Department	2.92	0.03	2.84	0.11
3	10- Energy and Petro Chemicals Department	1.89	0.06	1.24	0.71
4	15- Tax Collection Charges (FD)	68.08	0.70	65.50	3.28
5	33- Economic Advice and Statistics	7.28	0.08	6.78	0.58
6	34- Other expenditure pertaining to GAD	185.84	0.93	185.45	1.32
7	41- Home Department	7.62	0.17	7.20	0.59
8	50- Mines and Minerals	21.37	3.00	20.66	3.71
9	59- Legal Department	6.87	0.25	4.77	2.35
10	60- Administration of Justice	130.83	1.31	126.67	5.47
11	66- Irrigation and Soil Conservation	2287.26	22.64	353.01	1956.89
12	98- Youth and Cultural Activities	25.71	6.00	25.72	5.99
13	106- Other expenditure pertaining to W&CDD	235.31	5.91	218.20	23.02
	Revenue (Charged)				
14	2- Agriculture	0.01	0.01	0.00	0.02
15	84- Non-Residential Buildings	0.21	0.06	0.15	0.12
16	86- Roads and Bridges	0.31	0.07	0.04	0.34
	Capital (Voted)				
17	12- Energy Projects	301.76	172.87	171.91	302.72
18	25- Forests	78.20	0.53	77.77	0.96
19	67- Water Supply	662.47	0.15	660.80	1.82
20	84- Non-Residential Buildings	102.48	3.50	77.81	28.17
	Total	4132.56	218.35	2011.11	2339.80

APPENDIX - XV

Excessive Supplementary Grants

(Reference: Paragraph 2.3.5; Page 28)

(Rupees in crore)

Sl. No.	Grant/Appropriation	Original provision	Supplementary provision	Total provision	Expenditure	Saving
Revenue (Voted)						
1	3- Minor Irrigation, soil conservation and Area Development	30.52	12.50	43.02	42.66	0.36
2	4- Animal Husbandry and Dairy Development	66.88	4.81	71.69	70.24	1.45
3	18-Other expenditure pertaining to FD and its servicing	357.88	108.21	466.09	465.14	0.95
4	21- Civil Supplies	139.35	64.36	203.71	202.94	0.77
5	25- Forests	117.39	1.65	119.04	118.24	0.80
6	42- Police	802.39	16.61	818.99	815.84	3.15
7	44- Transport	199.75	143.22	342.97	337.17	5.80
8	57- Labour and Employment	98.34	4.88	103.22	98.61	4.61
9	70- Community Development	337.59	54.33	391.92	355.75	36.17
10	72- Compensation and assignment	69.28	8.51	77.79	77.37	0.42
11	74- Fisheries	36.45	10.60	47.05	46.33	0.72
12	77- Tax Collection Charges (RD)	60.37	3.67	64.04	62.34	1.70
13	78- District Administration	72.84	27.06	99.90	97.24	2.66
14	81- Compensation and assignment	23.07	40.00	63.07	62.76	0.31
15	82- Other expenditure pertaining to RD	0.74	1.10	1.84	1.57	0.27
16	84- Non-Residential Buildings	200.76	11.15	211.91	211.82	0.09
17	85- Residential Buildings	68.43	2.55	70.98	68.65	2.33
18	90- Other expenditure pertaining to S&TD	33.82	16.00	49.82	49.60	0.22
19	92- Social Security and Welfare	225.08	143.07	368.16	363.42	4.74

Audit Report (Civil) for the year ended 31 March 2005

Sl. No.	Grant/Appropriation	Original provision	Supplementary provision	Total provision	Expenditure	Saving
20	93- Welfare of Scheduled Tribes	59.99	14.62	74.61	73.99	0.62
21	95- Special Component Plan for Scheduled Castes	296.75	26.52	323.27	303.23	20.04
22	96- Tribal Area Sub-plan	794.98	131.23	926.21	901.54	24.67
23	102- Urban Development	341.42	385.95	727.36	725.38	1.98
Revenue (Charged)						
24	19- Repayment of debt pertaining to FD and its servicing	5599.99	154.51	5754.50	5747.49	7.01
25	88- Other expenditure pertaining to R&BD	0.53	1.10	1.64	1.62	0.02
Capital (Voted)						
26	44- Transport	201.69	50.00	251.69	203.47	48.22
27	46- Other expenditure pertaining to Home Department	159.40	41.74	201.14	184.89	16.25
28	49- Industries	51.52	121.73	173.25	163.08	10.17
29	61- Other expenditure pertaining to LD	2.91	4.19	7.09	3.53	3.56
30	65- Narmada Development Scheme	809.40	1205.40	2014.80	1401.10	613.70
31	73- Other expenditure pertaining to PRH&RDD	20.46	2.94	23.40	21.16	2.24
32	74- Fisheries	0.25	8.00	8.25	4.26	3.99
33	86- Roads and Bridges	541.16	348.05	889.21	563.16	326.05
34	96- Tribal Area Sub-plan	209.74	33.57	243.31	235.29	8.02
35	99- Other expenditure pertaining to SYS&CAD	0.50	1.33	1.84	1.35	0.49
Capital (Charged)						
36	8- Education	118.12	0.72	118.84	118.70	0.14
37	66- Irrigation and Soil Conservation	0.71	0.33	1.04	1.01	0.03
38	86- Roads and Bridges	0.14	0.66	0.80	0.74	0.06
	Total	12150.59	3206.87	15357.46	14202.69	1154.77

APPENDIX - XVI

Statement showing cases where supplementary provision was inadequate

(Reference: Paragraph 2.3.5; Page 28)

(Rupees in crore)

Sl. No.	Grant/ Appropriation	Original provision	Supple- mentary provision	Total Grant/ Approp- riation	Expen- diture	Excess
Revenue (Voted)						
1	22- Food	12.10	0.34	12.44	12.80	0.36
2	43- Jails	25.79	0.26	26.05	26.89	0.84
3	55- Other expenditure pertaining to I&BD	2.91	0.07	2.98	3.12	0.14
4	61- Other expenditure pertaining to LD	11.94	0.04	11.98	12.06	0.08
5	86- Roads and Bridges	491.38	82.35	573.73	671.20	97.47
6	88- Other expenditure pertaining to R&BD	10.05	0.95	11.00	12.19	1.19
Revenue (Charged)						
7	81- Compensation and assignments	0.16	*	0.16	0.31	0.15
	Total	554.33	84.01	638.34	738.57	100.23

* Supplementary provision of Rs.9,000 was made.

APPENDIX – XVII

Cases of re-appropriation under which the expenditure finally showed excess over the balance provision

(Reference: Paragraph 2.3.6; Page 28)

(Rupees in crore)

Sl. No.	Grant Number	Head of Account	Provision (Original plus Supplementary)	Reappropriation	Final Grant/Appropriation	Actual expenditure	Excess
Revenue							
1	8	2202- 02.110.12 EDN - 25	1.30	-1.30	0.00	10.17	10.17
2	38	2210- 01.102.03 HLT- 48	61.82	-0.54	61.28	62.83	1.55
3	66	2701- 80.004.11	1.96	-0.30	1.66	2.88	1.22
4	70	2515- 00.102.06	4.70	-1.80	2.90	5.29	2.39
5	86	3054- 80.800.01	1.50	-0.07	1.43	40.66	39.23
6	86	3054- 04.337.11	31.42	-12.84	18.58	26.44	7.86
7	86	3054- 80.001.02	28.90	-0.01	28.89	30.20	1.31
Capital							
8	65	4701- 80.190.11	309.43	-179.43	130.00	566.05	436.05
9	86	504- 03.337.11	728.50	-300.00	428.50	437.87	9.37
10	86	5054-01.337.11	0.88	-0.04	0.84	3.84	3.00
		Total	1170.41	-496.33	674.08	1186.23	512.15

APPENDIX - XVIII

Significant cases of major re-appropriation which were injudicious on account of non-utilisation

(Reference: Paragraph 2.3.6; Page 28)

(Rupees in crore)

Sl. No.	Grant Number	Head of Account	Provision (Original plus Supplementary)	Reappropriation	Final Grant/Appropriation	Actual expenditure	Saving
Revenue							
1	38	2210- 01.110.12 HLT-7	4.44	0.73	5.17	3.87	1.30
2	70	2515- 00.102.04 CDP-5	4.64	1.80	6.44	4.11	2.33
3	86	3054- 80.800.84	366.39	7.36	373.75	329.58	44.17
Capital							
4	19	6003- 01.102.01	307.64	1927.33	2234.97	1845.54	389.43
5	86	5054- 03.337.11	6.82	6.52	13.34	0.40	12.94
		Total	689.93	1943.74	2633.67	2183.50	450.17

APPENDIX - XIX

Amount surrendered during March 2005

(Reference: Paragraph 2.3.7; Page 28)

(Rupees in crore)

Sl. No.	Grant No. and Name	Grant/ Appropriation	Amount Surrendered
1	1- Agriculture and Co-operation Department	Revenue (Voted)	1.63
2	2- Agriculture	Revenue (Voted)	1.41
3	3- Minor Irrigation, Soil Conservation and Area Development	Revenue (Voted)	0.32
4	4- Animal Husbandry and Dairy Development	Revenue (Voted)	2.88
5	5- Co-operation	Revenue (Voted)	1.12
		Capital (Voted)	2.04
6	6- Other expenditure pertaining to Agriculture and Co-operation Department	Capital (Voted)	7.57
7	8- Education	Revenue (Voted)	61.41
8	9- Other Expenditure pertaining to Education Department	Capital (Voted)	6.97
9	10- Energy and Petro Chemicals Department	Revenue (Voted)	0.72
10	11- Tax Collection Charges (EPCD)	Revenue (Voted)	0.39
11	12- Energy Projects	Revenue (Voted)	10.34
		Capital (Voted)	180.93
12	13- Other expenditure pertaining to Energy and Petro Chemicals Department	Revenue (Voted)	0.15
		Capital (Voted)	4.97
13	14- Finance Department	Revenue (Voted)	0.72
		Capital (Voted)	0.02
14	15- Tax Collection Charges (FD)	Revenue (Voted)	3.10
15	16- Treasury and Accounts Administration	Revenue (Voted)	3.02
16	17- Pension and Other retirement benefits	Revenue (Voted)	0.03
17	18- Repayment of debt pertaining to FD and its servicing	Capital (Charged)	0.01
		Revenue (Voted)	1.11
		Capital (Voted)	202.23
18	19- Repayment of debt pertaining to FD and its servicing	Revenue (Charged)	7.11
19	20- Food, Civil Supplies and Consumer Affairs Department	Revenue (Voted)	0.05
20	21- Civil Supplies	Revenue (Voted)	1.36
21	22- Food	Revenue (Voted)	0.03
		Capital (Voted)	0.10

Sl. No.	Grant No. and Name	Grant/ Appropriation	Amount Surrendered
22	23- Other expenditure pertaining to FCS&CAD	Capital (Voted)	0.30
23	24- Forest and Environment Department	Revenue (Voted)	0.37
24	25- Forests	Revenue (Voted)	1.48
		Capital (Voted)	0.10
25	26- Environment	Revenue (Voted)	0.93
26	27- Other expenditure pertaining to F&ED	Capital (Voted)	1.44
27	28- Governor	Revenue (Charged)	0.22
28	29- Council of Ministers	Revenue (Voted)	0.48
29	30- Elections	Revenue (Voted)	11.09
30	31- Public Service Commission	Revenue (Charged)	0.32
		Revenue (Voted)	0.67
31	32- General Administration Department	Revenue (Voted)	1.30
32	33- Economic Advice and Statistics	Revenue (Voted)	0.58
33	34- Other expenditure pertaining to GAD	Revenue (Charged)	0.06
		Revenue (Voted)	1.23
		Capital (Voted)	541.64
34	35- State Legislature	Revenue (Charged)	0.06
		Revenue (Voted)	0.50
35	38- Medical and Public Health	Revenue (Voted)	3.82
36	39- Family Welfare	Revenue (Voted)	3.64
37	40- Other expenditure pertaining to Health and Family Welfare Department	Capital (Voted)	4.15
38	41- Home Department	Revenue (Voted)	1.71
39	42- Police	Revenue (Voted)	27.43
40	44- Transport	Revenue (Voted)	5.37
41	45- State Excise	Revenue (Voted)	0.33
42	46- Other expenditure pertaining to Home Department	Revenue (Charged)	0.03
		Revenue (Voted)	5.62
		Capital (Voted)	15.50
43	47- Industries and Mines Department	Revenue (Voted)	1.05
44	48- Stationery and Printing	Revenue (Voted)	0.32
45	49- Industries	Revenue (Voted)	29.64
		Capital (Voted)	10.17
46	50- Mines and Minerals	Revenue (Voted)	3.68
47	51- Tourism	Revenue (Voted)	0.23

Audit Report (Civil) for the year ended 31 March 2005

Sl. No.	Grant No. and Name	Grant/ Appropriation	Amount Surrendered
48	52- Other expenditure pertaining to I&MD	Revenue (Voted)	1.90
		Capital (Voted)	1.77
49	54- Information and Publicity	Revenue (Voted)	1.98
50	55- Other expenditure pertaining to I&BD	Capital (Voted)	0.69
51	56- Labour and Employment Department	Revenue (Voted)	0.16
52	57- Labour and Employment	Revenue (Voted)	5.71
53	58- Other expenditure pertaining to L&ED	Capital (Voted)	4.61
54	59- Legal Department	Revenue (Voted)	2.18
55	60- Administration of Justice	Revenue (Charged)	1.70
		Revenue (Voted)	3.62
56	61- Other expenditure pertaining to LD	Capital (Voted)	3.08
57	62- Legislative and Parliamentary Affair Department	Revenue (Voted)	0.06
58	63- Other expenditure pertaining to L&PAD	Capital (Voted)	0.03
59	65- Narmada Development Scheme	Capital (Voted)	830.40
60	66- Irrigation and Soil Conservation	Revenue (Voted)	1979.98
		Capital (Voted)	14.50
61	68- Other expenditure pertaining to NWRWS&KD	Capital (Voted)	7.61
62	69- Panchyats, Rural Housing and Rural Development Department	Revenue (Voted)	0.05
63	70- Community Development	Revenue (Voted)	36.05
64	71- Rural Housing and Rural Development	Revenue (Voted)	14.05
65	73- Other expenditure pertaining to PRH&RDD	Capital (Voted)	0.70
66	74- Fisheries	Revenue (Voted)	0.01
		Capital (Voted)	4.00
67	75- Other expenditure pertaining to Ports and Fisheries Department	Revenue (Voted)	0.09
		Capital (Voted)	0.25
68	76- Revenue Department	Revenue (Voted)	1.55
69	77- Tax Collection Charges (RD)	Revenue (Voted)	0.16
70	78- District Administration	Revenue (Voted)	1.72
71	79- Relief on account of natural calamities	Revenue (Voted)	7.05
72	80- Dangs District	Revenue (Voted)	0.03
73	81- Compensation and assignments	Revenue (Charged)	0.02
		Capital (Charged)	0.02
		Revenue (Voted)	0.16
		Capital (Voted)	0.45

Sl. No.	Grant No. and Name	Grant/ Appropriation	Amount Surrendered
74	82- Other expenditure pertaining to RD	Revenue (Voted)	0.34
75	83- Roads and Buildings Department	Revenue (Voted)	0.04
76	84- Non-Residential Buildings	Revenue (Voted)	0.98
		Capital (Voted)	24.57
77	85- Residential Buildings	Capital (Voted)	5.42
78	86- Roads and Bridges	Revenue (Voted)	6.42
		Capital (Voted)	322.21
79	87- Gujarat Capital Construction Scheme	Revenue (Voted)	0.39
		Capital (Voted)	7.19
80	88- Other expenditure pertaining to R&BD	Capital (Voted)	4.67
81	92- Social Security and Welfare	Revenue (Voted)	4.41
		Capital (Voted)	0.45
82	93- Welfare of Scheduled Tribes	Revenue (Voted)	0.35
		Capital (Voted)	1.14
83	94- Other expenditure pertaining to SJ&ED	Capital (Voted)	0.74
84	95- Special Component Plan for Scheduled Castes	Revenue (Voted)	16.41
		Capital (Voted)	4.69
85	96- Tribal Area Sub-plan	Revenue (Voted)	2.29
		Capital (Voted)	9.78
86	97- Sports, Youth and Cultural Activities Department	Revenue (Voted)	0.04
87	98- Youth and Cultural Activities	Revenue (Voted)	5.29
88	99- Other expenditure pertaining to SYS&CAD	Capital (Voted)	0.49
89	101- Urban Housing	Revenue (Charged)	1.84
		Revenue (Voted)	5.28
90	102- Urban Development	Revenue (Voted)	2.01
91	104- Other expenditure pertaining to UD&UHD	Capital (Voted)	0.47
92	105- Women and Child Development Department	Revenue (Voted)	0.03
93	106- Other expenditure pertaining to W&CDD	Revenue (Voted)	24.10
		Capital (Voted)	0.09
	Total		4555.67

APPENDIX - XX

Statement showing arrears in reconciliation for the year 2004-05

(Reference: Paragraph 2.4; Page 28)

(Rupees in crore)

Sl. No.	Name of the Department	Period from which reconciliation is in arrear	Amount involved
1.	Energy and Petrochemicals	1/2005	0.15
2.	Education	1/2005	1.60
3.	Finance	4/2004	362.37
4.	Gujarat Legislative Secretariat	12/2004	7.88 0.80
5.	Health and Family Welfare	3/2005	56.32
6.	Information and Broadcasting	9/2004	2.56
7.	Legal	4/2004	2.99
8.	Legal	2/2005	0.61
9.	Revenue	1/2005	0.07 0.01 2.41
10.	Science and Technology	4/2004	*
11.	Revenue	4/2004	0.04
	Total		437.81

* Amount Rs.30,000

APPENDIX - XXI

Statement showing flow of expenditure during the four quarters of 2004-05

(Reference: Paragraph 2.6; Page 29)

(Rupees in crore)

Sl. No.	Head of Account	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	During March 2005	Percentage as expenditure in March 2005 to total expenditure of 2004-05
Revenue								
1	2020- Collection of Taxes on Income and Expenditure	0.00	0.07	0.01	0.17	0.25	0.10	40.00
2	2048- Appropriation for reduction or avoidance of debt	0.00	0.00	0.00	240.00	240.00	240.00	100.00
3	2052- Secretariat- General Services	8.98	12.03	15.51	37.13	73.65	30.89	41.94
4	2053- District Administration	13.92	17.82	18.65	46.93	97.32	33.98	34.92
5	2075- Miscellaneous General Services	0.05	8.24	0.62	193.21	202.12	193.05	95.51
6	2216- Housing	13.51	73.81	70.61	126.53	284.46	95.05	33.41
7	2217- Urban Development	43.99	101.22	96.51	491.28	733.00	395.47	53.95
8	2220- Information and Publicity	2.84	3.68	4.67	11.67	22.86	8.72	38.15
9	2225- Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	36.26	136.16	149.46	308.14	630.02	196.44	31.18
10	2402- Soil and Water Conservation	0.22	6.45	17.45	45.80	69.92	36.46	52.15
11	2404- Dairy Developments	0.03	0.06	0.17	1.06	1.32	1.00	75.76
12	2405- Fisheries	2.26	9.33	10.05	29.10	50.74	21.67	42.71
13	2515- Other Rural Development Programme	0.93	95.55	139.02	357.07	592.57	219.71	37.08
14	2575- Other Special Area Programme	3.67	6.16	6.95	13.85	30.63	9.28	30.30
15	2801- Power	87.77	725.56	324.59	1457.03	2594.95	1313.77	50.63
16	2810- Non Conventional sources of energy	0.00	0.00	0.10	1.05	1.15	0.74	64.35
17	2851- Village and Small Industries	5.07	12.34	19.41	57.96	94.78	43.77	46.18
18	2852- Industries	0.99	4.23	28.06	83.67	116.95	81.09	69.34
19	2875- Other Industries	0.01	0.01	0.01	0.06	0.09	0.06	66.67
20	3054- Roads and Bridges	49.43	79.80	93.61	421.59	644.43	347.73	53.96
21	3275- Other Communication Services	0.00	0.00	0.01	0.01	0.02	0.01	50.00
22	3425- Other Scientific Research	0.09	0.48	15.04	33.99	49.60	26.14	52.70

Audit Report (Civil) for the year ended 31 March 2005

Sl. No.	Head of Account	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	During March 2005	Percentage as expenditure in March 2005 to total expenditure of 2004-05
23	3435- Ecology and Environment	0.00	0.00	0.00	0.85	0.85	0.85	100.00
24	3452- Tourism	0.07	0.07	1.48	15.60	17.22	9.29	53.95
25	3456- Civil Supplies	25.74	38.11	22.57	117.77	204.19	100.99	49.46
26	3604- Compensations and Assignments to Local bodies and Panchayati Raj Institutions	5.26	23.95	16.57	97.52	143.30	84.37	58.88
	Capital							
27	4055- Capital outlay on Police	0.00	5.96	11.95	19.72	37.63	16.59	44.09
28	4059- Capital outlay on Public works	0.00	7.89	9.09	24.75	41.73	16.68	39.97
29	4202- Capital outlay on Education, Sports, Art and Culture	0.02	2.45	2.44	6.93	11.84	4.65	39.27
30	4210- Capital outlay on Medical and Public Health	0.01	4.61	5.99	15.88	26.49	9.55	36.05
31	4217- Capital outlay on Urban Development	0.00	2.19	1.78	11.27	15.24	9.59	62.93
32	4220- Capital Outlay on Information and Publicity	0.00	0.00	0.02	0.05	0.07	0.05	71.43
33	4225- Capital outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.11	1.94	1.61	6.14	9.80	4.81	49.08
34	4401- Capital Outlay on Crop Husbandry	0.00	0.07	0.06	1.19	1.32	1.13	85.61
35	4406- Capital outlay on Forestry and Wild Life	5.11	28.21	27.61	55.45	116.38	38.66	33.22
36	4408- Capital Outlay on Food Storage and Warehousing	0.00	0.01	0.00	0.11	0.12	0.10	83.33
37	4575- Capital outlay on Other Special Area Programme	0.00	0.00	0.39	0.88	1.27	0.46	36.22
38	4702- Capital outlay on Minor Irrigation	42.48	113.98	138.37	396.47	691.30	215.38	31.16
39	4851- Capital Outlay on Village and Small Industries	0.00	0.00	0.03	0.21	0.24	0.18	75.00
40	4885- Other Capital outlay on Industries and Minerals	0.00	0.00	0.00	0.06	0.06	0.04	66.67
41	5051- Capital outlay on Ports and Light Houses	0.00	0.00	0.00	4.00	4.00	4.00	100.00
42	5053- Capital outlay on Civil Activation	0.00	1.03	0.01	2.72	3.76	1.94	51.60
43	5425- Capital Outlay on other Scientific and Environment Research	0.00	0.00	0.00	2.57	2.57	2.57	100.00
	Total	348.82	1523.47	1250.48	4737.44	7860.21	3817.01	

APPENDIX - XXII

Unusual Excess over Budget Grant

(Reference: Paragraph 2.7; Page 29)

(Rupees in crore)

Sl. No.	Name of Grant / Head of Account	Total Grant	Amount of Excess (Per cent)	Notes/ Comments
2 Agriculture Revenue (Voted)				
1	2401-00.119.11 AGR-27 90% Centrally Sponsored Schemes Integrated Development of Vegetable Crop	9.00	2.54 (28.19)	Reasons for the excess have not been intimated.
2	2401- 00.103 03 AGR-5 Taluka Seed Multiplication Farms	0.40	1.86 (470.46)	Reasons for the excess have not been intimated.
8 Education Revenue (Voted)				
3	2202- 01.106.06 Maintenance for Primary Education	1574.66	241.13 (15.31)	Reasons for the excess have not been intimated.
4	2071-01.101.01 Superannuation and Retirement Allowances to Primary Panchayats Teachers	95.00	116.97 (123.13)	Reasons for the excess have not been intimated.
5	2236- 00.102 Mid-day Meal Scheme for Children in Public Primary Schools(Plan)	88.04	40.79 (46.34)	Excess was due mainly to clear the pending claim of the Civil Supplies Corporation limited for handling charges.
6	2202- 01.105.01 Family Pension to Primary Panchayats Teachers	8.00	26.02 (325.26)	Reasons for the excess have not been intimated.
7	2202- 02.110.07 Higher Secondary Schools	215.00	24.37 (11.33)	Reasons for the excess have not been intimated.
8	2202- 02.110.12 EDN -25 Teaching Courses through Computers(Plan)	1.30	8.87 (680.78)	Reasons for the excess have not been intimated.
9	2202- 01.107.01 Training	8.14	2.61 (32.05)	Excess was due mainly to increase in rate of dearness allowance.
9 Other expenditure pertaining to Education Department Capital (Voted)				
10	7615- 00.201.02 Advances for purchase of Others Conveyance	0.30	1.40 (465.00)	Reasons for the excess have not been intimated.

Sl. No.	Name of Grant / Head of Account	Total Grant	Amount of Excess (Per cent)	Notes/ Comments
12 Energy Projects Revenue (Voted)				
11	2801- 80.800.21 (8) Subsidy to Gujarat Electricity Board under Jyotigram Yojana(Plan)	215.00	42.15 (19.60)	Reasons for the excess have not been intimated.
12	2801- 80.800.14 Assistance to Gujarat Electricity Board under Accelerated Power Development Programme	74.77	11.03 (14.75)	Reasons for the excess have not been intimated.
19 Repayment of Debt pertaining to Finance Department and its Servicing Capital (Voted)				
13	6004- 02.101.01 Block Loans	1639.92	1011.27 (61.67)	Reasons for the excess have not been intimated.
14	6003- 00.110.01 Repayment of Ways and Means Advances	2500.00	614.96 (24.60)	Reasons for the excess have not been intimated.
30 Elections Revenue (Voted)				
15	2015-00.106.01 Charges for Conduct of elections to State Legislative Assembly	0.00	1.42 (1420000)	Excess was due mainly to holding bi-election to five assembly constituencies as per Election Commission's directions.
38 Medical and Public Health Revenue (Voted)				
16	2210- 01.110.11 -Civil Hospitals and Reserve Staff, Ahmedabad(DMER)	35.00	5.10 (14.56)	Reasons for the excess have not been intimated.
17	2210- 01.110.15 HLT-10 New Civil Hospital, Surat	13.10	4.39 (33.47)	Excess was mainly due to increase in pay and allowances, O.E. and M.S.
18	2210- 01.110.23 HLT-14 Civil Hospital, Rajkot	10.91	3.92 (35.97)	Reasons for the excess have not been intimated.
19	2210- 01.110.03 Grants to Hospitals and Dispensaries	15.00	2.00 (13.33)	Excess was due mainly to outstanding grant pending for the year 2003-04.
20	2210- 01.110.14 HLT-9 Erwin Group of Hospital, Jamnagar	12.37	1.86 (15.00)	Reasons for the excess have not been intimated.
21	2210- 04.101.01 HLT-22 Medical Relief-Ayurvedic Dispensaries in Rural areas(Plan)	3.57	1.50 (42.19)	Reasons for the excess have not been intimated.

Sl. No.	Name of Grant / Head of Account	Total Grant	Amount of Excess (Per cent)	Notes/ Comments
43 Jails Revenue (Voted)				
22	2056- 00.101.02 District Jails	5.56	1.17 (21.06)	Reasons for the excess have not been intimated.
46 Other Expenditure pertaining to Home Department Revenue (Voted)				
23	2235- 02.105.03 Enforcement Work	15.48	2.14 (13.84)	Reasons for the excess have not been intimated.
46 Other Expenditure pertaining to Home Department Capital (Voted)				
24	4035- 00.211.01 Police Building (Plan)	7.45	19.55 (262.47)	Reasons for the excess have not been intimated.
49 Industries Revenue (Voted)				
25	2852- 80.800.24 IND-5 Promotional Efforts for Industrial Development (Plan)	10.00	6.68 (66.80)	Excess was due mainly to meet the expenditure over global summit-2005 and exhibitions and seminars.
52 Other Expenditure pertaining to Industries and Mines Department				
26	5053- 60.101.17 Extension, strengthening and upgradation of Surat Air Strip (Plan)	0.20	1.63 (815.95)	Reasons for the excess have not been intimated.
65 Narmada Development Scheme				
27	4701- 80.190.11 Share Capital Contribution to Sardar Sarovar Narmada Nigam Limited, Other Government (Plan)	309.43	256.62 (82.93)	Reasons for the excess have not been intimated.
66 Irrigation and Soil Conservation Revenue (Voted)				
28	2701- 80.001.02 Administration	78.45	20.63 (26.30)	Reasons for the excess have not been intimated.
29	2701- 01.101.11 (11) Construction and deepening of wells and tanks	2.50	5.76 (230.47)	Excess was due mainly to increase in Pay and Allowances of Work charge and Rojamdar and payment of old liabilities.
30	2701- 80.001.01 Direction (Plan)	2.48	2.75 (110.87)	Reasons for the excess have not been intimated.
31	2701- 80.001.01 Direction	14.75	2.13 (14.44)	Reasons for the excess have not been intimated.
84 Non Residential Buildings				
32	4059 02.104.42 Buildings (Plan)	2.01	2.20 (109.76)	Excess was anticipated due mainly to good progress of the work.

Audit Report (Civil) for the year ended 31 March 2005

Sl. No.	Name of Grant / Head of Account	Total Grant	Amount of Excess (Per cent)	Notes/ Comments
86 Roads and Bridges Revenue (Voted)				
33	3054- 80.001.05 Expenditure transferred on Prorata basis from Major head-2059	35.12	45.69 (130.07)	Reasons for the excess have not been intimated.
34	3054- 80.800.01 Roads and Bridges	1.50	39.16 (2610.91)	Reasons for the excess have not been intimated.
35	3054- 80.797.11 Transfers to Deposit Account of Central Road Fund Allocation (Plan)	23.36	36.64 (156.85)	Reasons for the excess have not been intimated.
36	3054- 80.799.01 Stocks	1.40	19.27 (1376.69)	Reasons for the excess have not been intimated.
86 Roads and Bridges Capital (Voted)				
37	5054- 01.337.11 Original Works	0.09	8.69 (9659.56)	Reasons for the excess have not been intimated.
38	5054- 01.337.11 Original Works(Plan)	0.88	2.96 (336.74)	Reasons for the excess have not been intimated.
88 Other Expenditure pertaining to Roads and Building Department Revenue (Voted)				
39	2070- 115.11(11) Expenditure on State Guest Houses	10.05	2.14 (21.30)	Reasons for the excess have not been intimated.
	Total		2641.97	

APPENDIX - XXIII

Expenditure without Budget provision

(Reference: Paragraph 2.7; Page 29)

(Rupees in crore)

Sl. No.	Grant/Head of Account	Expenditure without Budget provision	Contributed by reasons as stated by Department
12 Energy Projects Revenue (Charged)			
1	80.800.22 Assistance to Gujarat Electricity Board for Gujarat Power Sector Development Programme	50.78	Reasons for incurring expenditure without provision have not been intimated.
12 Energy Projects Capital (Charged)			
2	00.202.03 Loans to Gujarat Electricity Board for Gujarat Power Sector Development Programme	118.48	Reasons for incurring expenditure without provision have not been intimated.
19 Repayment of Debt pertaining to Finance Department and its Servicing Capital (Charged)			
3	00.111.01 Repayment of loan received from National Small Savings Fund	129.75	Reasons for incurring expenditure without provision have not been intimated.
4	6003 00.101.04 (1) Repayment of Gujarat State Development old Loan	179.92	Reasons for incurring expenditure without provision have not been intimated.
66 Irrigation and Soil Conservation Revenue (Voted)			
5	2702 80.800.12 Third Census of Minor Irrigation	0.38	Reasons for incurring expenditure without provision have not been intimated.
73 Other expenditure pertaining to Panchayats, Rural Housing and Rural Development Department Capital (Charged)			
6	00.200.01 Advances to Panchayats Servants for House Building	2.37	Reasons for incurring expenditure without provision have not been intimated.
85 Residential Buildings Capital (Voted)			
7	4216 01.106.11 Construction (Plan)	0.39	Reasons for incurring expenditure without provision have not been intimated.
	Total	482.07	

APPENDIX – XXIV

Statement showing the details of delay in submission of D C Bills

(Reference: Paragraph 2.9; Page 30)

Sl. No.	Name of Drawing and Disbursing Officer	Total Number of AC Bill	Drawn Between	Amount (In Rupees)	Delay in Months / Non Submission
1	The Mamlatdar, Vaghodiya (Surat)	20	March-2000 and Sept -2004	2983443	1 to 61
2	The Mamlatdar, Bardoli (Surat)	11	Jan-2002 and March-2005	2127300	1 to 11
3	The Mamlatdar, Mandvi (Surat)	8	Aug-2004 and Jan-2005	2149000	1 to 3
4	The City Deputy Collector, Ahmedabad	7	Dec-2002 and March-2004	530000	1 to 17
5	The Mamlatdar, Kamrej (Surat)	6	July-2003 and July-2004	365000	1 to 10
6	The Mamlatdar, Mahuva (Surat)	9	April-2004 and March-2005	1010800	1 to 10
7	The Mamlatdar, Palsana (Surat)	13	Sept.-2001 and March-2005	1127250	1 to 10
8	The Mamlatdar, Chikhli (Navsari)	15	Sept-2000 and Aug-2004	3675896	1 to 36
9	The Mamlatdar, Jalalpor (Navsari)	19	Nov-2003 and Feb-2005	1726549	1 to 9
10	The Mamlatdar, Olpad (Navsari)	22	April-2004 and Feb-2005	3155000	1 to 12

Sl. No.	Name of Drawing and Disbursing Officer	Total Number of AC Bill	Drawn Between	Amount (In Rupees)	Delay in Months / Non Submission
11	The Commanding Officer, 1 Gujarat Bn. NCC, Ahmedabad	26	Oct-2003 and May-2004	646802	DC Bill not submitted
12	The Mamlatdar, Dehgam (Gandhinagar)	52	Jan-2001 and Oct-2004	5974872	1 to 33
13	The Additional Chitnis to Collector, Vadodara.	9	March-2001 and March-2005	549908	1 to 9
14	The Additional Chitnis to Collector, Vadodara.	5	March-2003 and Dec-2004	447092	DC Bill not submitted
15	The Mamlatdar, Uchhal (Surat)	8	Jan-2004 and March-2005	652300	1 to 7
16	The Mamlatdar, Songadh (Surat)	60	March-2002 and Aug-2004	4704859	1 to 25
17	The PRO to Collector, Valsad,	4	March-2001 and Jan-2005	130000	2 to 28
18	The Mamlatdar, Kaprada (Valsad)	2	Dec-2002 and March-2004	280000	3 to 9
19	The Mamlatdar, Dharampur (Valsad)	3	March-2001 and Oct-2004	345000	1 to 4
20	The Mamlatdar, Mansa (Gandhinagar)	13	March-2003 and Sept-2004	1174628	1 to 5
	Total	312		33755699	

APPENDIX-XXV

Statement showing expenditure incurred in Bulk Water Supply sub projects

(Reference: Paragraph 3.2.6; Page 46)

(Rupees in crore)

Sl. No	Name of the sub-project	Sub-project cost	Source of fund	Amount sanctioned	Amount drawn	Expenditure incurred
1	Maliya-Morbi (NC-6)	174.47	HUDCO	343.00	273.00	100.74
2	Morbi-Tankara (NC-7)	134.71				120.31
3	Tankara -Gauridad	120.22				104.77
4	Otala-Aji-III (NC-12)	12.00				12.00
5	Tankara-Jamnagar (NC-8)	122.90	OBC	75.00	75.00	129.04
6	Maliya-Samakhiali-Bhachau (NC-9)	169.11	HUDCO	135.00	135.00	147.94
7	Bhachau-Anjar (NC-10)	77.06	ADB	0.00	0.00	60.70
8	Anjar-Kukma (NC11)	46.83	ADB	0.00	0.00	35.24
9	Anjar-Mundra-Mandvi (NC-11)	47.02				40.18
10	Samakhiali-Rapar (NC-13)	19.60				19.96
11	Khijadia- Moti-Khavdi (NC-18/19)	70.79	ADB	0.00	0.00	14.84
12	Ratanpur-Panchavada (NC-20) Panchavada -Kalyanpur Samana-Khambhalia (NC-21)	228.47	ADB	0.00	0.00	8.39
13	Kukma Khirsara-Kakadpitha Mandvi (NC-22)	108.60	NABARD	87.91	0.00	14.13
	Total	1331.78		640.91	483.00	808.24

APPENDIX-XXVI

Statement showing projects reviewed

(Reference: Paragraph 3.2.6; Page 46)

(Rupees in crore)

Sl. No.	Name of the scheme	No. of village/towns covered	Project cost	Expenditure	Status
1	Morbi-Maliya	104/1	69.23	41.14	Completed
2	Aji-III	32	8.90	8.48	Completed
3	Bhachau*	35	8.48	9.09	Completed
4	Shivlakra-RWSS*	26	9.45	5.26	Completed
5	Kandla-Gandhidham*	26	44.00	27.58	Progress
6	Bhuj*	41	20.20	11.22	Completed
7	Banni RWSS*	54	38.75	20.85	Completed
8	Bhachau*	24	9.90	9.29	Progress
9	Padadhari	42	16.00	26.67	Progress
10	Kotada-Sanghani	29	10.57		Progress
11	Ribda	19	5.33		Progress
12	Jamnagar*	510	104.57	23.63	Progress
13	Anjar*	86	19.57	12.38	Progress
14	Mundra*	58	14.00	14.09	Progress
15	Mandvi Bulk	-	3.00	1.15	Progress
16	Mandvi-1	32	15.12	12.00	Progress
17	Mandvi-2	27	4.09	1.24	Progress
18	Samakhiyali-Rapar*	15	40.00	31.14	Not started
19	Rapar	82			Progress
20	Khijadia*	40/2	23.75	14.77	Completed
21	Tankara*	56/1	12.72	2.26	Progress
	Total	1338/4	477.63	272.24	

* Twelve Schemes selected for detailed check : Projected cost Rs.344.82 crore

Expenditure upto March 2005 Rs.181.56 crore

APPENDIX – XXVII

Details of incomplete works

(Reference: Paragraph 3.2.8.3; Page 49)

Sr. No.	Name of WSS	Name of agency	Estimated/ Tendered cost (Rupees in crore)	Stipulated date of completion	Status as of August 2005	Audit observation
1	Kandla-Gandhidham	BRC construction	7.33/6.15	January 2003	Contract terminated	The contractor engaged a sub-contractor, who did not complete the work. The contract was terminated (March 2004). Re-tendering of work (after reducing the scope of work by Rs1.81crore) resulted in cost overrun of Rs.1.41 crore.
	Kandla-Gandhidham Remaining work	IVRCL Infrastructure Ltd.	1.79/2.53	September 2004	In progress	The work remained incomplete as of August 2005 resulting in time overrun.
2	Mundra	BMS Project (P) Ltd.	4.25/4.09	December 2003	In progress	Recovery of Rs.15 lakh towards defect liability and adjustment of mobilization advance of Rs.41 lakh was not made. Inordinate delay in execution led to time overrun. Pumping machinery valued at Rs.1.05 crore brought by contractor remained idle for non completion of civil work.
3	Anjar	BMS Project (P) Ltd.	NA/3.97	January 2004	In progress	Inordinate delay in execution led to time overrun.
4	Tankara	Pratibha Industries Ltd.	10.52/9.73	March 2004	In progress	GWSSB failed to provide design in time resulting in time overrun.
5	Bhachau bulk Remaining work	BRC Construction	2.71/2.24	July 2003	Contract terminated	Recovery of Rs.27 lakh towards liquidated damages (Rs.22 lakh) and mobilization advance (Rs.05 lakh) was not effected.
		Pooja Builders	1.68/1.96	--	--	There was cost overrun of Rs.21 lakh. Inordinate delay in execution led to time overrun.
6	Bhuj	BRC Construction	3.73/2.77	October 2002	Contract terminated	Inordinate delay in execution led to time overrun.
	Remaining work	K.D.Waghela	0.11/0.16	NA	NA	

