

## **CHAPTER I**

### **Performance Audit**

#### **Public Health and Family Welfare Department**

#### **1.1 National Rural Health Mission**

##### **Highlights**

*The National Rural Health Mission (NRHM) was launched (April 2005) by the Government of India for providing equitable, affordable and effective health care facilities to the rural population. Performance audit of the Mission revealed that household surveys were not conducted and there were inadequacies in conducting of facility surveys. Perspective Plans were not prepared and there was absence of community participation in planning. There was lack of physical infrastructure, basic medical facilities and human resources. The maternal and infant mortality rates were higher than the targets envisaged by the Mission. There were cases of non-payment and delayed payment of cash assistance to beneficiaries under the Janani Suraksha Yojna. The important audit findings are indicated below:*

**Household surveys to assess health care needs were not conducted and facility surveys to assess the baseline status of public health facilities were partially conducted.**

*(Paragraph 1.1.6.1)*

**Perspective Plans for the Mission period were not prepared by the District Health Societies. There was lack of community involvement in preparation of Annual Plans at each level.**

*(Paragraph 1.1.6.2)*

**The State Government did not contribute its share of Rs 83.44 crore during 2007-08 and National Rural Health Mission funds amounting to Rs 2.12 crore were spent on a State sector scheme.**

*(Paragraphs 1.1.8.3 and 1.1.8.4)*

**A total unspent balance of Rs 195.86 crore was lying in banks at the district and State levels. Advances amounting to Rs 133.20 crore were pending for adjustment or recovery as of March 2009.**

*(Paragraphs 1.1.8.5 and 1.1.8.6)*

**None of the health centres had been upgraded to Indian Public Health Standards. Seventeen test-checked Community Health Centres declared as Comprehensive Emergency Obstetric and Neonatal Care, did not have the required infrastructure. Twenty five test-checked Primary Health Centres were found to be non-functional or partially functional due to insufficient staff and physical infrastructure while 101 Primary Health Centres were found to be functioning without doctors.**

*(Paragraphs 1.1.9.3, 1.1.9.4 and 1.1.9.5)*

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**Against the requirement of 44,379 Accredited Social Health Activists (ASHAs), only 42,777 were selected and none of these had been imparted the fifth module of training so far. ASHAs were mostly functioning as motivators under the *Janani Suraksha Yojana* leaving other functions unattended.**

*(Paragraph 1.1.9.6)*

**The incidence of maternal and infant mortality in the State remained high.**

*(Paragraphs 1.1.11.3 and 1.1.12)*

**The immunisation effort declined during 2007-09. Family Planning activities fell short of targets.**

*(Paragraphs 1.1.12 and 1.1.13)*

**The incidence of mortality in malaria cases increased during 2005-08. Tuberculosis cure at the State level was below the prescribed norm. Against 57,191 students with refractive errors, only 26,476 students were provided free spectacles.**

*(Paragraphs 1.1.14.1, 1.1.14.2 and 1.1.14.4)*

**Monitoring Committees to review the activities of the Mission were not formed at the PHC, CHC, district and State levels.**

*(Paragraph 1.1.16)*

### **1.1.1 Introduction**

The National Rural Health Mission (NRHM) was launched (April 2005) by the Government of India (GOI) throughout the country with special focus on 18 States. Madhya Pradesh was one of the States selected for implementation of the programme. The main objectives of NRHM were to provide equitable, affordable, reliable and effective health care facilities to poor and vulnerable sections of the rural population. NRHM laid emphasis on reductions in the Maternal Mortality Rate (MMR), the Infant Mortality Rate (IMR) and the Total Fertility Rate (TFR), while carrying forward the Government's efforts in the field of prevention and control of communicable, non-communicable as well as endemic diseases with the involvement of the community in planning and monitoring. The key strategy of the Mission was to bridge gaps in health care facilities, facilitate decentralised planning in the health sector and provide an overarching umbrella for the existing programmes of the Health and Family Welfare Department including Reproductive and Child Health-II and various disease control programmes. It sought to provide health to all in an equitable manner through increased outlays, horizontal integration of existing schemes, capacity building and human resource management.

### 1.1.2 Organisational Set-up

At the State level, NRHM functions under the overall guidance of the State Health Mission (SHM), headed by the Chief Minister. The activities under the Mission are carried out through the State Health Society (SHS). The Governing Body of the SHS is headed by the Chief Secretary. The Executive Committee of the SHS is headed by the Principal Secretary, Public Health and Family Welfare Department. The State Programme Management Support Unit (SPMSU) acts as the Secretariat to SHS and is headed by the Mission Director.

At the district level, there are District Health Societies (DHSs) headed by the respective District Collectors who act as chairpersons of the DHS and their Executive Committees are headed by the respective Chief Medical and Health Officers (CM&HOs).

### 1.1.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- the planning process at the village, block, district and State levels were adequate;
- community participation in planning, implementation and monitoring was as per guidelines;
- the funds provided were adequate and the utilisation of funds was efficient and effective;
- capacity building and strengthening of physical and human infrastructure were as per the Indian Public Health Standards (IPHS)<sup>1</sup>;
- the systems and procedures of procurement of drugs and services provided were economical and adequate;
- the information, education and communication (IEC) programme was effective in raising health awareness and
- the monitoring and evaluation process ensured accessible, effective and reliable health care for the rural population.

### 1.1.4 Audit Criteria

The audit criteria adopted for arriving at the audit conclusions were the following:

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<sup>1</sup> A set of standards envisaged to improve the quality of health care delivery in the country under the National Rural Health Mission.

- The GOI framework for implementation of NRHM,
- Guidelines issued by GOI for various components, disease control programmes, financial aspects, etc,
- Orders and instructions issued by the State Government,
- State Programme Implementation Plans (PIP) and Annual District Action Plans,
- Indian Public Health Standards for upgradation of health centres.

### **1.1.5 Scope and Methodology of Audit**

Performance audit of the records of the State Mission Directorate, 12 out of 48 District Health Societies (DHSs), 35 out of 333 Community Health Centres (CHCs), 68 out of 1,155 Primary Health Centres (PHCs) and 134 out of 8,860 Sub Centres (SCs) in 12 districts, selected on the basis of the Probability Proportional to Size method (**Appendix 1.1**) was carried out for the period 2005-06 to 2008-09 during April to November 2009. An entry conference was held with the Mission Director on 6 March 2009, during which the audit objectives and criteria were discussed. An exit conference was held with the department on 12 December 2009 during which the audit findings were discussed.

### **Audit Findings**

#### **1.1.6 Planning**

NRHM envisaged a decentralised and participatory planning process with a bottom-up approach from the village level to the State level with involvement of the community at the field level. The State and districts were required to prepare Perspective Plans for the Mission Period (2005-12). Action Plans for each year were to be prepared by SHS by consolidating all the district level Plans to enable interventions in the health sector.

##### **1.1.6.1 Baseline surveys**

**Household surveys were not conducted and facility surveys were done partially.**

As per NRHM guidelines, household surveys at the village, cluster and block levels were to be conducted for preparing comprehensive District Action Plans. Facility surveys were required to be carried out to ascertain the facilities available at the SC/PHC/CHC level. Fifty *per cent* of these surveys were required to be completed by 2007 and 100 *per cent* by 2008. These surveys were to be conducted through the community by involving Accredited Social Health Activists (ASHAs)<sup>2</sup>, Anganwadi workers (AWWs), Auxiliary Nursing Midwives (ANMs) etc. It was found that household surveys were not

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<sup>2</sup> *Village level female health workers who work as an interface between the households and the public health system.*

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conducted at any level in the State. Facility surveys were not conducted at any of the 8860 SCs and were conducted at only 353 out of 1155 (30.56 per cent) PHCs and 313 out of 333 (94 per cent) CHCs in the State. This fact was also acknowledged during the exit conference.

### 1.1.6.2 Framing of Action Plans without community involvement

**District Perspective Plans were not prepared at any of the districts.**

Household and facility surveys constitute the baseline for preparation of Village Health Action Plans by the Village Health and Sanitation Committees (VHSCs). The gaps in health care facilities identified through the baseline surveys were to be addressed by devising suitable intervention strategies. Village Health Action Plans were to indicate the financial and physical targets and to form the basis for preparation of Health Action Plans at the block and district level and the Perspective Plan and PIP for the State as a whole.

It was noticed in audit that Health Action Plans were not prepared for the years indicated in **Table 1.1**.

**Table 1.1 : Non-Preparation of Health Action Plans**

Nature of Plan	Year-wise figures of units which did not prepare Annual Action Plans	Authorities responsible for preparing the Plans
Village Health Action Plan (55392 villages)	2006-07 (54229 villages), 2007-08 (51625 villages) and 2008-09 (46917 villages)	Village Health and Sanitation Committee
Block Health Action Plan (313 blocks)	2005-06 (all blocks), 2006-07 (209 blocks) and 2007-08 (82 blocks)	Block Health Monitoring and Planning Committee.
District Health Action Plan (48 districts)	2005-06 (43 districts) and 2006-07 (12 districts)	District Health Monitoring and Planning Committee.

(Source: Data furnished by State Health Society)

Not conducting household surveys and the inadequate number of facility surveys impaired the planning process and rendered the assessment of progress during NRHM difficult. Perspective Plans of NRHM for a seven-year time-frame (2005-12), outlining the resource and activity needs, which were required to be prepared by each district, were also not prepared by any of the 48 districts of the State. Reasons for not conducting baseline surveys and not preparing Village Action Plans and Perspective Plans in the districts were not furnished by the SHS.

Village Health and Sanitation Committees (VHSCs), responsible for preparation of Village Health Action Plans, were formed in 25,368 (46 per cent) out of 55,392 villages only. Block and district level Monitoring and Planning Committees, represented by community based organisations<sup>3</sup> which were responsible for preparation of the respective Annual Action Plans had not been formed. Even at the State level, the Monitoring and Planning Committees had not been formed. Thus, planning was done without involvement of grassroot participation and the objective of community

<sup>3</sup> Panchayati Raj Institutions and Non-Government Organisations.

participation in planning, implementation and monitoring as envisaged by the NRHM was not fulfilled. The department agreed with the observations of Audit.

### **1.1.6.3 Fixing lower targets**

**Targets fixed by Government of India in respect of maternal mortality rate and infant mortality rate, were reduced by the State.**

NRHM envisaged the reduction of MMR to 100 per one lakh live births and IMR to 30 per 1000 live births by 2012. However, the State PIP (2006-2012) fixed the goal of reduction of MMR to less than 220 per one lakh live births and IMR to 60 per 1000 live births. Both these targets were far below the targets envisaged under NRHM.

On being asked, the SHS replied (October/November 2009) that due to shortage of manpower, it was not possible to achieve NRHM targets and hence, they had to be slashed down. The department also endorsed the above perception of SHS during the exit conference.

### **1.1.6.4 Integration of existing health care programmes under NRHM**

**Convergence and financial integration of National Disease Control Programmes with National Rural Health Mission were not done.**

NRHM aimed at an architectural correction in the health care delivery system by converging the various standalone national disease control programmes (NDCPs) of the Ministry of Health and Family Welfare (MOH&FW) viz. RCH-II, the Vector Borne Disease Control Programme, the Tuberculosis, Leprosy and Blindness Control Programmes and the Integrated Disease Surveillance Project. The individual bank accounts of these NDCPs were to be closed on 31 March 2007 after transferring the balance amounts to the account of the SHS. The funds for NDCPs were to be routed through the SHS from April 2007. Scrutiny of records revealed that the NDCPs had not been merged and the funds were being released to the respective societies by GOI directly and not through the SHS. It was also noticed that the SHS was not involved in planning and monitoring of NDCPs. Thus, the objective of bringing all the health care activities under one umbrella for better planning and monitoring was not fulfilled.

While confirming (November, 2009) the above facts, the SHS stated that reasons for non-merger would be intimated to Audit in due course.

### **1.1.7 Rogi Kalyan Samitis**

**There were deficiencies in the working of Rogi Kalyan Samitis at the Community Health Centre and Primary Health Centre levels.**

Rogi Kalyan Samitis (RKSs) were meant to serve as a mechanism for involving users of health facilities in the upgradation and maintenance of health centres. These RKSs were to be constituted for health care centres up to the PHC level with local elected representatives, health officials, leading members of the community including SC/ST/OBC/minorities/NGOs, local CHC/PHC in-charges and leading donors. The Governing Bodies and Executive Bodies of RKSs were required to review the functioning of health care facilities on a regular basis. Recommendations were to be given by RKSs to DHSs for improvement of the health care system on which timely action was required to be taken by the respective DHSs. The RKSs were to develop

and prominently display the charter<sup>4</sup> of citizens' health rights outside the health centres so as to make health care users aware of the health rights and facilities available. Compliance with the citizens' charter was to be ensured through operationalisation of grievance redressal mechanisms. Monitoring committees were to be constituted by RKSs to visit hospitals and collect patient feedback on which remedial action was required.

In the 12 districts test-checked in audit, the following points were observed:

- In nine<sup>5</sup> PHCs, RKSs had not been formed. Meetings of the Governing Bodies and Executive Bodies were not held as per the prescribed norms.
- None of the 106 RKSs checked during audit had recommended any improvement in the health care system to the DHSs.
- The citizens' charter was displayed in district hospitals (DHs) only. No citizens' charter was displayed in six CHCs and 42 PHCs.
- Monitoring committees had not been constituted. Records of patient feedback and action taken thereon were not maintained in the RKSs at the level of PHCs, CHCs and DHs.

Thus, the RKSs failed to fill the gaps in public health facilities and suggest remedial action for the same. During the course of discussion in the exit conference, the department agreed with the audit observation.

## **1.1.8 Financial Management**

### ***1.1.8.1 Funding pattern***

The Government of India provided 100 *per cent* grant-in-aid to the State for the years 2005-06 and 2006-07. During the Eleventh Plan (2007-12), the contribution was to be in the ratio of 85:15 between the Centre and the State. Funds were to be released by GOI to the State through two separate channels, viz. the State Finance Department for Family Welfare and directly to the SHS and other disease control societies on the basis of approved PIPs.

### ***1.1.8.2 Financial Outlay and Expenditure***

Expenditure on the Family Welfare Programme was incurred by the Government against the budget provision, which was reimbursed by GOI on the basis of Audit Certificates issued by the Principal Accountant General.

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<sup>4</sup> A document representing a systematic efforts to focus on the commitment of the organisation towards its citizens.

<sup>5</sup> Bharoli, Bolkhedanau, Jawasia Kumar, Jhutawad, Karoli, Khadan Bujurge, Masod, Royalbeda and Singhana.

The position of budget provisions, expenditure incurred and releases made by GOI to the State Finance Department under the Family Welfare Programme during 2005-06 to 2008-09 was as given in **Table 1.2**.

**Table 1.2: Financial Outlay and Expenditure incurred under Family Welfare Programme**

(Rupees in crore)

Year	Budget Provision	Expenditure	Receipts from GOI (reimbursements)
2005-06	169.41	113.24	60.58
2006-07	143.62	131.19	95.52
2007-08	180.71	158.15	172.33
2008-09	195.01	156.61	127.21

(Source: Directorate, Health Services, Bhopal)

Audit observed that Rs 103.55 crore had not been reimbursed to the State Government by GOI as of March 2009, of which Rs 20.57 crore was reimbursed (November 2009) by GOI during 2009-10.

The position of funds released by GOI directly to various societies for the various components of NRHM and other disease control programmes and the expenditure thereagainst during 2005-06 to 2008-09 was as given in **Table 1.3**.

**Table 1.3: Financial Outlay and Expenditure incurred under various components of NRHM and various NDCPs**

(Rupees in crore)

Sl. No.	Component	2005-06		2006-07			2007-08			2008-09			
		Release	Expenditure	Opening balance	Release	Expenditure	Opening balance	Release	Expenditure	Opening balance	Release	Expenditure	Unspent Balance
1.	State Programme Management Unit (SPMU)												
	(a) Routine Immunization	8.56	0.27	8.29	5.38	3.60	10.07	7.40	9.88	7.59	4.60	12.06	0.13
	(b) Pulse Polio Immunization	8.80	8.34	0.46	20.30	19.96	0.80	10.97	10.52	1.25	19.57	18.78	2.04
	(c) RCH Flexi Pool <sup>6</sup>	56.96	25.03	31.93	97.16	122.55	6.54	262.87	327.93	-58.52	316.84	344.82	-86.50
	(d) NRHM Flexi Pool <sup>7</sup>	32.00	0.47	31.53	140.88	47.74	124.67	202.53	102.83	224.37	157.51	122.60	259.28
	(e) State Share	--	--	--	--	--	--	--	--	90.00	--	90.00	
2.	Disease Control Programmes	26.18	13.93	12.25	25.00	24.31	12.94	29.98	26.50	16.42	26.74	31.57	11.59
	<b>Grand Total</b>	<b>132.50<sup>8</sup></b>	<b>48.04</b>	<b>84.46</b>	<b>288.72</b>	<b>218.16</b>	<b>155.02</b>	<b>513.75</b>	<b>477.66</b>	<b>191.11</b>	<b>615.26</b>	<b>529.83</b>	<b>276.54</b>

(Source: State Health Society and NDCP Societies, Bhopal)

<sup>6</sup> RCH II Flexi Pool : Discretionary resources made available to the States with the flexibility to make plans and for utilisation for maternal health, child health, family planning, tribal health etc., according to their needs.

<sup>7</sup> NRHM Flexi Pool : Discretionary resources made available to the States with the flexibility to make plans and for utilisation of corpus grants to Rogi Kalyan Samitees, untied grant, annual maintenance grant, etc.

<sup>8</sup> Includes receipts during the year and opening balance (Rs 8.81 crore) as on 01.04.2005. In case of disease control societies, releases include receipts from GOI and other receipts such as interest. (Other receipts 2005-06 : Rs 0.94 crore, 2006-07 : Rs 1.07 crore, 2007-08 : Rs 0.82 crore and 2008-09 : Rs 1.03 crore).



Audit observations on the above are discussed in the succeeding paragraphs:

### 1.1.8.3 Non-contribution of funds by the State Government

**State did not contribute its share of 15 per cent of funds during 2007-08.**

As per NRHM guidelines, the State was to contribute 15 per cent of the required funds from the Eleventh Plan Period (2007-12). However, as against Rs 472.80 crore released by GOI under the three components of NRHM (RCH-II, NRHM and Immunisation) in 2007-08, the State did not contribute its share of Rs 83.44 crore. The State, however contributed Rs 90 crore during 2008-09. During the exit conference, the department agreed with the audit observation.

### 1.1.8.4 Utilisation of NRHM Funds on State Sector Scheme

**Expenditure of Rs 2.12 crore was incurred on a State Sector Scheme viz. the Rajya Bimari Sahayata Yojna, despite non-approval by Government of India.**

The *Rajya Bimari Sahayata Yojna*, a State Sector Scheme, was included by the SHS in the PIP of 2007-08 but was not approved by GOI. Despite non-approval by GOI, an expenditure of Rs 2.12 crore was incurred on the scheme from NRHM funds in the State, which included Rs 52.87<sup>9</sup> lakh incurred in the test-checked districts. At the exit conference, the department agreed with the audit observations and stated that the said amount would be recouped to NRHM funds.

### 1.1.8.5 Unspent balances

Government of India released grants-in-aid to the SHS on the basis of the PIPs duly approved by the National Programme Coordination Committee (NPCC). Subsequently, funds were released by the SHS to the DHSs with instructions to utilise the entire grants in the respective financial years.

**Rupees 195.86 crore was lying unspent in banks as of 31 March 2009.**

During the test check of records, it was found that Rs 167.31 crore was lying unspent at the SHS level while Rs 28.55 crore<sup>10</sup> was lying unspent at the district level in banks as of 31 March 2009. The SHS attributed the non-utilisation of funds to releases made by GOI at the fag end of the financial year. At the exit conference, the department agreed with the audit observations and assured utilisation of unspent funds.

<sup>9</sup> Betul: Rs 5.00 lakh, Bhand : Rs 5.51 lakh, Bhopal : Rs 5.65 lakh, Dhar: Rs 5.00 lakh, Gwalior: Rs 4.76 lakh, Indore: Rs 5.00 lakh, Khargone: Rs 0.60 lakh, Morena: Rs 6.90 lakh, Raisen: Rs 4.80 lakh, Shahdol: Rs 4.65 lakh and Ujjain: Rs 5.00 lakh.

<sup>10</sup> Betul: Rs 3.56 crore, Bhand: Rs 0.83 crore, Bhopal: Rs 1.41 crore, Dhar: Rs 2.32 crore, Gwalior: Rs 5.82 crore, Indore: Rs 1.70 crore, Khargone: Rs 0.61 crore, Mandla: Rs 1.16 crore, Morena: Rs 2.16 crore, Raisen: Rs 2.36 crore, Shahdol: Rs 1.85 crore and Ujjain: Rs 4.77 crore.

### 1.1.8.6 Outstanding advances

An amount of Rs 133.20 crore was outstanding for adjustment as of 31 March 2009.

The SHS releases funds to DHSs and other programme implementation agencies as advances under NRHM. These advances are to be adjusted after submission of accounts. As per the Financial Management Report<sup>11</sup> ending 31 March 2009, an amount of Rs 133.20 crore was shown as outstanding for adjustment/ recovery at the SHS level. Similarly, in the test-checked districts, advances amounting to Rs 18.74<sup>12</sup> crore as on 31 March 2009 were outstanding for adjustment/recovery. No specific reason was given by the SHS for the huge outstanding advances and it was stated (November 2009) that instructions had been issued to DHSs for adjustment of the advances within three months. During the exit conference, the department also endorsed the above reply of the SHS.

### 1.1.8.7 Non-release of untied and maintenance grants/corpus grants

Regular annual untied, maintenance and corpus grants were not released to Community Health Centres/Primary Health Centres and Rogi Kalyan Samitis.

As per the norms of the Mission, annual untied and maintenance grants are to be released to SCs, PHCs and CHCs for maintaining physical structures and meeting local health needs. Similarly, corpus grants are to be released to registered RKSs to carry out the functions entrusted to them. The prescribed grants fixed under NRHM are given in **Table 1.4**.

**Table 1.4 : Untied and maintenance grants**

(In Rupees)

Centres	Untied Grant	Maintenance Grant	Corpus Grant to RKS
SC	10000	10000	Nil
PHC	25000	50000	100000
CHC	50000	100000	100000
DH	Nil	Nil	500000

(Source: NRHM Guidelines)

During scrutiny of records in the test-checked health centres, it was noticed that untied grants, maintenance grants and corpus grants were not released to some health centres during 2005-09 as shown in **Table 1.5**.

**Table 1.5: Non-release of grants to health centres**

(Figures in numbers)

Year	Untied grants			Maintenance grants			Corpus grants to RKS		
	CHC	PHC	SC	CHC	PHC	SC	DH	CHC	PHC
2005-06	35	67	74	35	67	130	9	33	67
2006-07	6	27	30	10	23	121	1	7	36
2007-08	6	30	42	8	34	83	2	5	21
2008-09	7	21	72	8	19	94	3	12	32

(Source: Test-checked health centres)

<sup>11</sup> A quarterly statement sent by the SHS to GOI showing the release of funds by GOI, expenditure incurred and unspent balances and advances.

<sup>12</sup> Betul: Rs 1.66 crore, Bhand :Rs 1.89 crore, Bhopal: Rs 0.67 crore, Dhar :Rs 2.29 crore, Gwalior: Rs 0.74 crore, Indore: Rs 0.34 crore, Kargone: Rs 4.37 crore, Mandla: Rs 1.61crore, Morena: Rs 1.21 crore, Raisen: Rs 0.05 crore, Shahdol: Rs 1.89 crore and Ujjain: Rs 2.02 crore.

Further, it was found that untied and maintenance grants of Rs 35.45 lakh during the period 2005-09 were utilised for other purposes such as purchase of furniture, stationery, drugs, construction works etc. On this being pointed out, the respective CM&HOs stated that in future, the grants would be utilised as per the guidelines of the Mission.

Audit scrutiny of the grants released revealed the following:

- Corpus grants were released to non-registered RKSs in eight<sup>13</sup> test-checked health centres;
- Against the entitled grant of Rupees five lakh, an amount of Rs 20 lakh was released to the RKS at District Hospital, Mandla during 2006-2007.
- VHSCs were entitled to annual untied grants of Rs 10000 which were to be used for setting up revolving funds at the village level for providing referral and transport facilities for emergency deliveries; meeting the immediate financial needs for hospitalisation as well as ensuring that public health activities at the village level receive priority attention. VHSCs were formed in 6,021 out of 11,950 (50 per cent) villages but untied grants of Rs 10,000 each were released in favour of only 4,459<sup>14</sup> VHSCs. No revolving fund was set up by any VHSC.

**Revolving funds were not set up by any Village Health and Sanitation Committee.**

The SHS stated (November 2009) that funds were released from the flexi pool to DHSs and the reasons for non-release of funds by them to the health centres would be obtained from DHSs. Regarding the excess corpus grant to the RKS District Hospital, Mandla, the CM&HO stated (August 2009) that the matter would be investigated. At the exit conference, the department stated that suitable action would be taken in the matter.

#### **1.1.8.8 Diversion of funds**

**Amounts of Rs 58.52 crore (2007-08) and Rs 27.98 crore (2008-09) were diverted from the National Rural Health Mission flexi pool to the Reproductive and Child Health flexi pool.**

As per Rule 26 (ii) of General Financial Rules 2005, funds were required to be spent for the purpose for which they were earmarked and any diversion of funds required the approval of the competent authority. However, during 2007-08 and 2008-09, SHS incurred expenditure of Rs 58.52 crore and Rs 27.98 crore respectively in excess of the available funds under the RCH flexipool by diverting funds from the NRHM flexipool without obtaining the approval of GOI. In reply, SHS stated (November 2009) that the diversion of funds was due to excess expenditure under the *Janani Suraksha Yojna*<sup>15</sup> (JSY) activities and that the position had been intimated to GOI through the Financial Management Report.

<sup>13</sup> CHC-Bichhiya, PHCs-Anjanika, Babalia, Bharveli, Bhaura, Bijadehi, Pathasihora, Sijhaura.

<sup>14</sup> Betul 895, Bhind 360, Bhopal 350, Dhar 516, Gwalior 254, Indore 371, Khargone 690, Mandla 45, Morena 69, Raisen 180, Shahdol 643 and Ujjain 86.

<sup>15</sup> The Janani Suraksha Yojana (JSY) is a safe motherhood scheme under NRHM, with the objective of reducing maternal and neonatal mortality by promoting institutional deliveries among poor pregnant women.

The diversion of substantial amounts of funds without obtaining the approval of GOI indicated improper application of resources. Various lapses noticed in the implementation of JSY have been commented upon in para 1.1.11.2. During the exit conference, the department agreed with the audit observations.

### **1.1.9 Capacity Building**

NRHM stipulates upgradation of public health facilities on the basis of IPHS. Infrastructure, personnel, equipment and status of management standards for different level health centres have also been defined appropriately under IPHS.

#### **Physical Infrastructure**

##### **1.1.9.1 Shortage of Health Centres**

To ensure greater access and proper implementation of various services, NRHM envisages setting up of health institutions on the basis of population norms. NRHM set the target of providing one Sub Centre (SC) for a population of 5,000 (3,000 in tribal areas), one PHC for a population of 30,000 (20,000 in tribal/ desert areas) and one CHC for a population of 1,20,000 (80,000 in tribal/desert areas). However, as compared to the population norms, shortage of 59 CHCs, 481 PHCs and 1,279 SCs was noticed in audit as shown in **Table 1.6**.

**Table 1.6 : Status of Health Centres**

**There was shortage of 59 Community Health Centres, 481 Primary Health Centres and 1,279 Sub Centres in the State.**

Sl. No.	Centres	Number of health centres required as per population of Census 2001	Actual number of health centres	Shortage	Percentage
1	CHCs	392	333	59	15
2	PHCs	1636	1155	481	29
3	SCs	10139	8860	1279	13
	<b>Total</b>	<b>12167</b>	<b>10348</b>	<b>1819</b>	

(Source: Data collected from SHS)

In the 12 test-checked districts, there was shortage of CHCs by 25 per cent, PHCs by 30 per cent and SCs by 16 per cent against the requirement as per the population norms. Despite four years of operation of NRHM, the number of health centres fell short of the prescribed norms. The department stated (November 2009) that efforts were being made to open more health centres.

##### **1.1.9.2 Construction of Buildings**

**Construction of 36 health centre buildings remained incomplete after spending Rs 2.01 crore.**

During scrutiny of records of the test-checked districts, it was found that construction works of one CHC, four PHC and 31 SC buildings remained incomplete after spending Rs 2.01<sup>16</sup> crore. Out of 32 completed SC buildings, 12 buildings costing Rs 67.51 lakh were not taken over by the department. Construction works of 66 SC buildings, one PHC building and one CHC building had not been undertaken. The Secretaries, DHSs stated (November 2009) that action would be taken to complete the works as soon as possible.

<sup>16</sup> CHC: Rs 63.68 lakh, PHC: Rs 54.28 lakh, SC: Rs 83.46 lakh.

Even after four years of commencement of NRHM, several health centres, particularly SCs, were functioning without buildings. In the test-checked districts, it was noticed that out of 2,384 SCs, 816 SCs<sup>17</sup> were functioning without their own buildings. Thus, the required infrastructure for providing rural health care was found to be inadequate. At the exit conference, the department agreed with the audit observations.

### 1.1.9.3 Upgradation of Health Centres

The Mission provided for upgradation of the existing facilities for delivery of better health services in rural areas. It also envisaged the provision of 24x7 delivery and emergency services at the CHC/PHC level. Audit observed the following:

- During 2005-09, none of the health institutions (CHCs, PHCs and SCs) had been upgraded as per IPHS.
- Out of 82 CHCs declared as first referral units (FRU)<sup>18</sup> during 2005-06, 16 (20 per cent) were partially functional and 66 (80 per cent) were non-functional.
- Out of 499 CHCs and PHCs declared as 24x7 centres during 2005-06, 115 (23 per cent) were non-functional.

**82 Community Health Centres declared as first referral units were partially functional/ non-functional and 115 health centres declared as 24x7 centres were non-functional.**

On this being pointed out, the department stated (November 2009) that the health centres were partially functional/non-functional due to shortage of manpower.

### 1.1.9.4 Deficiencies in the selected Community Health Centres and Primary Health Centres

NRHM aimed to provide 30-bedded indoor facilities along with well-equipped operation theatres and specialists/doctors to provide health services at CHCs. Laboratory services, X-ray facilities and blood storage facilities were also required to be provided at each CHC. Similarly, PHCs providing health care facilities were to have sufficient physical infrastructure and staff as per the norms.

Scrutiny of records of the 35 test-checked CHCs and 68 test-checked PHCs in 12 districts revealed that the basic infrastructure and health services/facilities were not available as per the IPHS in any of the CHCs and PHCs as shown in **Appendix 1.2.**

<sup>17</sup> Betul -55 (263), Bhind-68 (186), Bhopal-6 (63), Dhar-128 (399), Gwalior- 8(101), Indore -34(111), Khargone -58(276), Mandla -25(248), Morena -72(196), Raisen-96(175), Shahdol-119(194) and Ujjain-147(172).

<sup>18</sup> FRU provides basic Emergency Obstetric Care for women and Acute Respiratory Infection treatment for children.

**In test-checked Community Health Centres and Primary Health Centres, basic infrastructure, health services/facilities were not available as per Indian Public Health Standards.**

Out of the 35 test-checked CHCs, 17 CHCs were declared as Comprehensive Emergency Obstetric and Neonatal Care (CEmONC) Centres. Each CEmONC Centre was to have basic amenities like emergency obstetric care included facilities for Caesarean sections with blood transfusion facilities and specialists (gynaecologists, anaesthetists, paediatricians etc.) for conducting surgeries. However the requisite specialists/facilities were not found to be available in the CHCs as shown below:

**Table 1.7 : Non-availability of specialists/facilities in CHCs declared as CEmONCs**

Sl. No.	Specialists/facilities not available	Number of CHCs
1.	Gynaecologist	8
2.	Anaesthetist	13
3.	Paediatrician	9
4.	Blood Storage	13
5.	Caesarean Section	14

(Source: Records of test-checked CHCs)

Out of the 68 test-checked PHCs, 25 PHCs were found to be non-functional/partially functional due to insufficient human and physical infrastructure as analysed below:

- Seven<sup>19</sup> PHCs were found to be non-functional due to non-availability of doctors as well as physical infrastructure.
- Eighteen<sup>20</sup> PHCs were partially functional due to inadequate/non-availability of staff, inadequate physical infrastructure/health facilities. In eight<sup>21</sup> PHCs, no institutional deliveries were being carried out.

#### **1.1.9.5 Manpower Management**

Public health services in rural areas are delivered through SCs, PHCs, and CHCs. The NRHM framework and IPHS emphasised capacity building of manpower and setting benchmarks for medical personnel at SCs, PHCs and CHCs. As per the IPHS, each SC was to have two Auxiliary Nursing Midwives (ANM) and one multi-purpose worker (MPW-Male). CHCs/PHCs were to have posts of specialists, medical officers and para-medical/ support staff as shown in the following table.

<sup>19</sup> Bara, Barkhedidev, Ketoghan, Kuchwara, Nayakpura, Rasmohni and Rayalbeda.

<sup>20</sup> Andarh, Badud, Balwada, Barha, Bolkhedanau, Bamhauri, Bharoli, Bharveli, Dhamarra, Javasiya Kumar, Kariyawati, Khadan Bujurg, Khargone, Masod, Pathasihora, Sijhoura, Sivna and Umarban.

<sup>21</sup> Andarh, Badud, Balwada, Barha, Bolkhedanau, Dhamarra, Khadan Bujurg and Javasiya Kumar.

Table 1.8 : Manpower earmarked as per IPHS

Name of Health Centres	Medical Staff		Para-Medical staff	
	Name of post	Number of posts	Name of post	Number of post
CHC	General Surgeon, Physician, Obstetrician / Gynaecologist, Paediatrician, Anaesthetist, Eye Surgeon, Public Health Programme Manager	7	ANM/MPW (Female), Public Health Nurse, Dresser, Pharmacist/Compounder, Laboratory Technician, Radiographer, Ophthalmic Assistant, Outpatient Department Attendant and OT Attendant	9
	Medical Officers (General duty Officer)	6	Ward boys, Staff Nurse	2 7
<b>Total</b>		<b>13</b>		<b>18</b>
PHC	Medical Officer	2	Pharmacist, Health Worker (female), Laboratory Technician,	3
			Health Assistant (one male, one female) Staff Nurse	2 3
<b>Total</b>		<b>2</b>		<b>8</b>

(Source: Indian Public Health Standards)

The sanctioned strength of medical and para-medical staff and persons-in-position in SCs, PHCs, CHCs and district health institutions in the 12 test-checked districts during 2005-06 and 2008-09 were as shown in **Table 1.9**.

Table 1.9 : Status of Manpower

Name of District	2005-06				2008-09			
	Manpower Sanctioned	Men-in-position	Vacancies	Percentage of Vacancies	Manpower Sanctioned	Men-in-position	Vacancies	Percentage of Vacancies
Betul	752	615	137	18	905	729	176	19
Bhind	354	74	280	79	600	461	139	23
Bhopal	233	169	64	27	253	207	46	18
Dhar*	1132	74	1058	93	1289	1002	287	22
Gwalior	320	297	23	7	349	282	67	19
Indore	365	310	55	15	437	350	87	20
Khargone	930	669	261	28	1143	751	392	34
Mandla	808	577	231	29	823	643	180	22
Morena	601	488	113	19	722	549	173	24
Raisen	728	492	236	32	887	481	406	46
Shahdol	558	398	160	29	1078	587	491	46
Ujjain	460	381	79	17	581	378	203	35

(Source: Data furnished by DHSs)

Note: -\* Complete information for the year 2005-06 was not made available as the records were seized by Lokayukt.

Shortage of manpower ranged between 18 to 46 per cent during 2008-09.

Out of 297 Primary Health Centres in 10 out of 12 test-checked districts, 101 Primary Health Centres were running without doctors.

The cadre-wise position is given in **Appendix 1.3**. Audit observed that in three districts viz. Gwalior, Raisen and Ujjain, the staff deployed in 2008-09 was less than the corresponding staff of 2005-06 though there was an increase in the number of sanctioned posts. Of the total sanctioned posts, there was a 93 per cent shortage of anaesthetists, an 81 per cent shortage of gynaecologists and a 74 per cent shortage of paediatricians as of March 2009 in the test-checked districts. In 10 out of 12 test-checked districts, 101<sup>22</sup> out of total 297 PHCs were running without doctors despite provision for deployment of contractual staff under NRHM.

<sup>22</sup> Betul-12 (33), Bhind-6 (20), Dhar-12 (47), Indore-3 (26), Khargone-20 (54), Mandla-13 (30), Morena-5 (16), Raisen-9 (19), Shahdol- 14 (30) and Ujjain-7 (22).

On this being pointed out, the SHS stated (November 2009) that appointment of 400 post-graduate medical officers (PGMOs) and 400 medical officers (MOs) was planned for 2005-06 but only 94 PGMOs and 325 MOs joined (November 2009). The shortage was attributed to attractive salaries offered in the private sector and lack of basic amenities in rural areas.

Deficiencies noticed in test-checked CHCs, PHCs and SCs included the following:

- One hundred and four SCs were functioning with just one ANM/MPW (Female) against the required two; 10 SCs were functioning without an ANM/MPW (Female) and 64 SCs were functioning without an MPW (male).
- Due to the absence of staff, three SCs (Goyala Bujurg, Helapbada and Indokh) were found to be non-functional.
- Against the requirement of 136 Medical Officers, only 65 (48 *per cent*) were posted in the test-checked PHCs. Against the requirement of 544 paramedical staff, only 170 (31 *per cent*) were posted.
- Seventeen PHCs had only one paramedical staff member each. In two<sup>23</sup> PHCs, laboratory technicians were not available whereas two laboratory technicians, one each in the PHCs at Berkhedidev and Pichhore were sitting idle, as there were no laboratories there.
- Against the requirement of 455 doctors, only 144 doctors (32 *per cent*) were posted in 35 CHCs. In eight<sup>24</sup> CHCs there was an acute shortage of supportive staff ranging between six and 11 whereas in seven<sup>25</sup> CHCs, there was surplus staff ranging between three and 14.
- Twenty-five CHCs had no gynaecologist, 23 CHCs had no paediatrician, and 31 CHCs had no anaesthetist.
- In six<sup>26</sup> CHCs, radiographers were sitting idle due to non-availability of X-ray facilities, whereas in the CHCs at Jharda and Ghatia, X-ray facilities were available but no radiographers were posted there.

During the exit conference, the department agreed with the audit observations and stated that efforts were being made to fill up the vacant posts.

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<sup>23</sup> Bhora, Devgarh.

<sup>24</sup> Begumganj (7), Ghatia (11), Jharda (8), Mohana (7), Narayanganj (6), Noorabad (6), Pahargarh (9) and Singhpur (8).

<sup>25</sup> Badwah (14), Bareli (3), Dabra (14), Lahar (7), Manawar (14), Mehgaon (8) and Sanwer (5).

<sup>26</sup> Badwah, Beohari, Bakaner Pahargarh, Sanwer and Tirla.

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### 1.1.9.6 Accredited Social Health Activist (ASHA) Scheme

NRHM envisaged providing of a trained female ASHA in each village in the ratio of one per 1,000 population. She was to be chosen by and was to be accountable to the village panchayat to act as an interface between the community and the public health system. An ASHA had to function as an honorary worker and was entitled to performance-based compensation for universal immunisation, referral transport and escort services under RCH-II, construction of household toilets and other health care delivery programmes. As per norms, 44,379 ASHAs were required in the State. Of these 17,751 (40 per cent) were required to be selected by 2006, 31065 (70 per cent) by 2007 and 44,379 (100 per cent) by 2008. All ASHAs were to be imparted 23 days induction training in five modules by 2009. The position of selection and training of ASHAs was as shown in **Table 1.10**.

**Table 1.10 : Status of training imparted to ASHAs**

Year	Number of ASHAs selected	Number of ASHAs trained				V <sup>th</sup> Module
		I <sup>st</sup> Module	II <sup>nd</sup> Module	III <sup>rd</sup> Module	IV <sup>th</sup> Module	
2005-06	12979	8366	-	-	-	-
2006-07	19302	8500	-	-	-	-
2007-08	8219	18271	23909	22543	8464	-
2008-09	2277	3597	7238	7583	13915	-
<b>Total</b>	<b>42777</b>	<b>38734</b>	<b>31147</b>	<b>30126</b>	<b>22379</b>	<b>-</b>

(Source: - Data collected from SHS)

Scrutiny of records revealed that: -

**The required numbers of ASHAs were neither selected nor fully trained.**

- against the target of 44,379 ASHAs, 40,500 ASHAs (91 per cent) were selected by the end of 2007-08 and 1,602 were still to be selected (November 2009);
- against 42,777 ASHAs selected, training up to the first, second, third and fourth modules was not imparted to 4,043, 11,630, 12,651 and 20,398 ASHAs respectively. The fifth module of training was not imparted to any of the ASHAs.

It was further observed by Audit that:

- ASHAs were to be provided drug kits consisting of ORS, contraceptives and a set of 10 basic drugs. Though drug kits were provided to ASHAs during 2006-08, replenishment of the drugs in the kits was not done.
- ASHAs were primarily functioning as motivators for bringing pregnant women for institutional deliveries, leaving their other functions mostly unattended.

Thus, the shortfall in selection and training of ASHAs affected programme implementation and deprived the rural population of necessary health care as envisaged through ASHAs.

The department stated (November 2009) that non-selection of ASHAs was due to non-availability of eligible candidates and shortfall in training was due to non-availability of master trainers and modules. The fifth module of training was planned to be started in 2009-10. At the exit conference, the department also endorsed the audit objections.

### **1.1.10 Procurement**

#### ***1.1.10.1 Procurement of kits***

**Drug kits procured in excess of sanction.**

The Ministry of Health and Family Welfare sanctioned (March 2006) purchase of drug kits for providing to ASHAs, PHCs and CHCs with the names and quantities of drugs. Scrutiny of records of SHS revealed (August 2009) that 42,022 drug kits costing Rs 16.58 crore as shown in **Appendix 1.4** were purchased for the year 2006-08 in excess of the sanctioned numbers of 11,240 drug kits. At the exit conference, the department did not give any plausible reason for excess procurement of drug kits.

#### ***1.1.10.2 Purchase of drugs for kits in excess of norms***

**Drugs purchased in excess of norms.**

GOI had fixed not only the rate but also the quantity of drugs to be procured for each drug kit. Scrutiny of the final rate list of each kit along with quantities of drugs to be purchased, however, revealed that there were differences in the quantities of drugs, which were actually purchased for the concerned kit vis-à-vis those fixed by GOI. The cost of the excess quantity of drugs actually purchased for the respective kits was Rs 2.97 crore as detailed in **Appendix 1.5**. At the exit conference, the department failed to justify the excess procurement.

#### ***1.1.10.3 Quality test***

**Non-testing of quality of drugs.**

To ensure the quality of the drugs, the department was to conduct inspection, random sampling and testing at the pre-despatch stage at the manufacturers' as well as at the consignees' end and at the district headquarters as per the provisions of Para 6.1 of the GOI's guidelines<sup>27</sup>. The Public Health and Family Welfare Department had decided (June 2006)<sup>28</sup> to provide one *per cent* of the cost of drugs to the Madhya Pradesh Laghu Udyog Nigam (MPLUN) for conducting the quality testing of drugs.

Scrutiny (August 2009) of records of the MPLUN relating to quality testing of drugs<sup>29</sup> revealed that 95305 drug kits for the year 2006-08 (cost: Rs 52.38 crore as detailed in **Appendix 1.6** were supplied by M/s Karnataka Antibiotics

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<sup>27</sup> *GOI's guidelines issued (June 2006) for the State Governments for procurement of drugs under NRHM & RCH programmes.*

<sup>28</sup> *New drug-policy approved by the Government of M.P. Public and Family Welfare Department Vide their order no. F12-66/2000/Seventeen/Med-3 dated 6<sup>th</sup> June 2006.*

<sup>29</sup> *Records of quality testing of drugs like certificates of analysis issued by the laboratories and inspection reports issued by the MPLUN.*

and Pharmaceuticals Limited (KAPL) under NRHM in 48 districts. However, no batch was got tested by MPLUN at the consignees' end or at the district headquarters after receipt of the drug kits. Only tests at the pre-despatch stage were got conducted by MPLUN.

The Directorate of Health Services (DHS) identified M/s Rights, New Delhi as the testing laboratory and MPLUN was directed (December 2006) by the DHS to conduct quality tests through this laboratory. Scrutiny (August 2009) of records revealed that MPLUN conducted quality tests at the pre-despatch stage through four laboratories<sup>30</sup> selected by it. These laboratories had not been identified by the DHS. As such, the instructions issued for quality testing were not followed. At the exit conference, the department agreed with the audit observations and assured remedial measures in future.

#### 1.1.10.4 Equipments lying idle

**Equipment for Community Health Centres lying idle.**

During the check of records of Khargone, Mandla, Morena and Shahdol districts, it was observed that equipment worth Rs 64.07 lakh<sup>31</sup>, procured for CHCs under the Sector Investment Programme<sup>32</sup> and supplied to different CHCs, was lying idle since 2005-06 due to non-posting of specialists/doctors/experts to operate the same.

### Reproductive and Child Health

#### 1.1.11 Maternal Health

##### 1.1.11.1 Antenatal Care

All pregnant women were to be registered within 12 weeks of the start of their pregnancy so that antenatal checkups and immunisation could be done in time.

Scrutiny of records of test-checked districts revealed low registration of pregnant women in the first trimester (within 12 weeks) as shown in the **Table 1.11**.

**Table 1.11: Status of registration of pregnant women**

(Figures in lakh)

Year	Total registered pregnant women	Number of women registered within first trimester	Shortfall (per cent)
2005-06	6.25	3.18	3.07 (49)
2006-07	6.26	2.63	3.63 (58)
2007-08	6.60	3.11	3.49 (53)
2008-09	6.46	3.00	3.46 (54)

(Source: -Data furnished by DHSs)

**Forty nine to 58 per cent pregnant women were not registered during their first trimester.**

<sup>30</sup> Laboratories selected by the MPLUN: (i) M/s Choksi Laboratories limited, Indore (MP), (ii) M/s Anusandhan Analytical & Biochemical Research Laboratory Pvt. Ltd., Indore (MP), (iii) M/s Bangalore Test House, Bangalore (Karnataka) (iv) M/s ITL Lab. Pvt. Ltd. Dehli.

<sup>31</sup> Khargone: Rs 20.56 lakh, Mandla: Rs 3.00 lakh, Morena: Rs 23.79lakh and Shahdol: Rs 16.72 lakh.

<sup>32</sup> An European Commission assisted programme.

The shortfall was due to lack of awareness and failure on the part of ASHAs and ANMs. In reply, the SHS stated (November 2009) that focus on IEC and micro birth planning through ASHAs needed to be strengthened.

As per the Mission guidelines, two doses of tetanus toxoid (TT) and a daily dose of iron-folic acid (IFA) tablet were required to be administered to anaemic expecting mothers for a period of 100 days. However, it was observed that during 2005-09, 20 to 38 *per cent* of registered pregnant women in four districts<sup>33</sup> were not provided IFA tablets and 10 to 20 *per cent* of registered pregnant women in two<sup>34</sup> districts were not given TT. In reply, the SHS stated (November 2009) that the reason for the shortfall was the short supply of TT and IFA tablets by GOI.

#### ***1.1.11.2 Institutional Delivery and Janani Surksha Yojana***

As explained earlier, the *Janani Suraksha Yojana* (JSY) is a safe motherhood scheme under NRHM, implemented with the objective of reducing maternal and neonatal mortality by promoting institutional deliveries among poor pregnant women.

Under the scheme, cash assistance was to be disbursed within seven days of delivery to the mother at the health centre on her registration for delivery. The motivator<sup>35</sup> was to be paid cash compensation for her stay with the pregnant woman at the health centre, her post-natal visits to the beneficiaries and the newborn's immunisation for Bacillus Calmette Guerin (BCG). Physical verification of five *per cent* of JSY cases was to be done by nodal officers of JSY at the district level.

Details of registered pregnant women, the total number of deliveries, institutional deliveries and the number of women who benefited under JSY in the State are given in **Table 1.12**.

**Table 1.12 : Status of institutional deliveries and cash assistance paid under *Janani Suraksha Yojana*.**

<b>Year</b>	<b>Total registered pregnant women</b>	<b>Total number of deliveries</b>	<b>Total number of institutional deliveries (percentage in bracket)</b>	<b>Number of beneficiaries paid compensation under <i>Janani Suraksha Yojana</i></b>
2005-06	2075162	1716355	599199 (35)	68252
2006-07	2054641	1776016	919386 (52)	397442
2007-08	2116163	1824962	1296740 (71)	1106239
2008-09	2066001	1751443	1378880 (79)	1148831

**(Source: Data furnished by SHS)**

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<sup>33</sup> *Bhind, Bhopal, Gwalior and Raisen.*

<sup>34</sup> *Gwalior (18 per cent) and Indore (13 per cent).*

<sup>35</sup> *Motivator can be ASHAs, Anganwadi workers and other equivalent workers engaged for institutional deliveries under JSY.*

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During scrutiny of records in test-checked districts, the following points were observed:

- Institutional deliveries had increased from 35 to 79 *per cent*, indicating an upward trend. However, no assistance was paid to 600 (Gwalior 37, Indore 281, Morena 183 and Shahdol 99) beneficiaries during 2007-09 due to lack of funds.
- Assistance of Rs 3.96 crore was paid to 25,650<sup>36</sup> beneficiaries during 2007-09 with delays ranging from one to four months due to paucity of funds. In 1,543 cases during 2008-09, payments were made in the subsequent financial year (2009-10) by the district hospital, Khargone.
- In Bhind, an amount of Rs 6.92 lakh was distributed to 539 beneficiaries during 2008-09 without getting receipts.
- Nodal officers did not conduct physical verification of beneficiaries.
- Delays in payment of cash compensation to motivators and payments without ensuring post-natal care and immunisation were also noticed in the test-checked districts of Indore, Khargone and Morena.
- To promote institutional delivery, the *Janani Express Yojana* (a State scheme) was launched (July 2006) for providing 24 hour transport facilities to pregnant women. It was noticed that during 2007-09, of the total institutional deliveries, only 5989 (three *per cent*) and 5596 (seven *per cent*) women benefited under the scheme in the Indore and Morena districts respectively.

### 1.1.11.3 Maternal deaths

**Maternal deaths were not reviewed and maternal mortality rate was alarmingly high.**

Maternal death review committees were to be constituted at each district for conducting reviews of maternal health services. Quarterly meetings were to be held at the district level and maternal death cases were to be reported to the Chief Medical and Health Officers (CM&HOs) of the districts within 24 hours of the deaths. It was found that in nine test-checked districts, these committees had been constituted. There were 1377<sup>37</sup> maternal deaths during 2005-09 but no deaths were reported to the CM&HOs within 24 hours except in district Shahdol, where 55 deaths were reported (2008-09). Quarterly meetings were not held at regular intervals. While NRHM targeted MMR at 100 per one lakh live births by 2012, the State had targeted MMR at 220 by 2012 against which the current MMR of the State which was high at 379. Despite the increase in

<sup>36</sup> Betul (484 cases, Rs 6.89 lakh), Bhind (125 cases, Rs 1.72 lakh), Bhopal (41 cases, Rs 0.46 lakh), Dhar (4719 cases, Rs 69.23 lakh), Gwalior (537 cases Rs 7.12 lakh), Indore (49 cases, Rs 0.55 lakh), Khargone (12560 cases, Rs 206.50 lakh), Mandla (356 cases, Rs 4.99 lakh), Morena (1480 cases, Rs 21.61 lakh), Raisen (528 cases, Rs 7.91 lakh), Shahdol (4657 cases, Rs 67.07 lakh), Ujjain (114 cases, 1.69 lakh).

<sup>37</sup> Betul (152), Bhind (42), Bhopal (269), Dhar (125), Gwalior (21), Indore (162), Khargone (89) Shahdol (393) and Ujjain (124).

the number of institutional deliveries, the post-delivery mortality remained alarmingly high, raising questions about the quality of maternal health care available in the State.

The department stated (November 2009) that ante-natal checkups could be improved by giving focus on IEC and micro birth planning through involvement of ASHAs and ANMs for which instructions had been issued (August 2009) to CM&HOs.

### **1.1.12 Immunisation and child health**

Vaccines<sup>38</sup> under routine immunisation programmes were provided under the RCH programme. Pulse Polio campaigns were also undertaken for eradication of polio. The targets and achievements for administration of Diphtheria Tetanus (DT), Tetanus Toxoid-TT (10), Tetanus Toxoid-TT (16)<sup>39</sup> in the State during 2005-09 were as shown in **Table 1.13**.

**Table 1.13 : Targets and achievements of immunisation**

(Figures in lakh)

Year	DT		TT (10)		TT (16)	
	Target	Achievement	Target	Achievement	Target	Achievement
2005-06	17.43	15.06 (86)	17.51	14.21 (81)	16.53	12.61 (76)
2006-07	19.08	15.32 (80)	19.17	14.81 (77)	18.10	13.05 (72)
2007-08	18.02	16.01(89)	18.02	15.52 (86)	18.02	13.79 (77)
2008-09	18.02	10.94 (61)	18.02	12.98 (72)	18.02	11.81 (66)

(Source: Data collected from SHS)

**Targets for immunisation were not achieved.**

Shortfalls in immunisation increased during 2008-09 in the State. From the above table, it may be observed that the achievement in immunisation reduced during 2008-09 as compared to the year 2007-08. Similarly, in the test-checked districts also, the shortfall in immunisation increased from 19 to 38 per cent (DT), 22 to 23 per cent (TT-10) and 28 to 30 per cent (TT-16) during 2007-09. The SHS stated (October 2009) that the targets could not be achieved due to irregular and short supply of DT and TT vaccines by GOI.

It was further observed that 29519<sup>40</sup> cases of neonatal death were reported in the test-checked districts. The IMR in the State was 72 in 2008 against the NRHM target of 30 and the State Government target of 60 per thousand live births upto 2012. In reply, the SHS stated (November 2009) that efforts were being made to reduce the IMR upto 60 per thousand live births by 2012.

<sup>38</sup> BCG, DPT, DT, Measles, OPV, and TT.

<sup>39</sup> DT, TT (10) and TT (16) administered to children at the age of 5,10 and 16 years respectively.

<sup>40</sup> Betul (4064), Bhand (3691), Bhopal (612), Dhar (2763), Gwalior (1176), Indore (1533), Khargone (2835), Mandla (2343), Morena (779), Raisen (1499), Shahdol (4316) and Ujjain (3908).

### 1.1.13 Family planning programme

The family planning programme under the Mission included terminal methods to control the total fertility rate and spacing methods to improve couple protection ratios to achieve the goal of population stabilisation. The terminal methods of family planning included vasectomy for males and tubectomy for females.

At the State level, the targets, achievements and shortfalls in respect of the terminal method and the spacing method during 2005-09 were as follows:

**Table 1.14 : Targets and Achievements of Family Planning**

Year	Sterilisation			IUD Insertion			Oral Pill Users			Condom Users		
	T	A	S	T	A	S	T	A	S	T	A	S
2005-06	582942	367465	215477	602800	453311	149489	706216	554204	152012	1479273	1295407	183866
2006-07	582942	366842	216100	663095	461264	201831	776840	558736	218104	1775127	1357963	417164
2007-08	582942	458196	124746	729409	501433	227976	854526	615133	239393	1952641	1710016	242625
2008-09	582000	440531	141469	619900	495247	124653	830500	628882	201618	1861300	1599254	262046

(Source: Data furnished by SHS)

**T-Target, A-Achievement, S-Shortfall**

There were shortfalls in achievement of sterilisations ranging from 21 to 37 *per cent*. The share of male sterilisations was only three to eight *per cent* against the norm of eight *per cent* in 2007-08 and 10 *per cent* in 2008-09. There were shortfalls in achievement of the targets fixed for spacing methods. During 2005-09, at the State level, the shortfalls as against the targets were 20 to 31 *per cent* in respect of IUD insertions, 22 to 28 *per cent* in respect of oral pill users and 12 to 23 *per cent* in respect of condom users.

**The family planning programme was not carried out effectively.**

In the test-checked districts, male sterilisations were below 10 *per cent* in nine<sup>41</sup> districts and 10 to 20 *per cent* in three districts. In eight districts, female sterilisations decreased in 2008-09 as compared to 2007-08 except in four districts<sup>42</sup>. The targets and achievements of the test-checked districts are given in **Appendix 1.7**. The shortfalls against the targets ranged from 18 to 45 *per cent* in 10 districts<sup>43</sup>. The shortfalls were mainly due to shortage of staff (anaesthetists), conducting of sterilisations only in family planning camps, insufficient publicity and lack of adequate training to medical and para-medical staff. The shortfalls as per the fixed targets in the distribution of oral pills ranged between 23 to 60 *per cent* in six<sup>44</sup> districts while the shortfalls in use of condoms were 4 to 69 *per cent* in nine<sup>45</sup> districts. The shortfalls in IUD insertions were 10 to 48 *per cent* in 11 districts during 2005-09.

<sup>41</sup> Betul, Bhind, Bhopal, Dhar, Indore, Khargone, Morena, Raisen and Ujjain.

<sup>42</sup> Dhar, Indore, Mandla and Ujjain.

<sup>43</sup> Betul, Bhind, Bhopal, Dhar, Indore, Khargone, Morena, Raisen, Shahdol and Ujjain.

<sup>44</sup> Gwalior, Mandla, Morena, Raisen, Shahdol and Ujjain.

<sup>45</sup> Bhind, Dhar, Gwalior, Khargone, Mandla, Morena, Raisen, Shahdol and Ujjain.

The department stated (October 2009) that attempts were being made to achieve the targets fixed under the programme.

At the State level, different activities were planned under the family planning programme (population stabilisation) during 2007-09 as shown in **Appendix 1.8**. During 2007-08, only four out of the 14 planned activities, and in 2008-09, only eight out of 18 activities were undertaken. None of the planned activities were accomplished except the one relating to IEC on promotion of family planning during 2007-08 and the one meant for providing of non-scalpel vasectomy services during 2008-09. Against six and five training programmes planned for 2007-08 and 2008-09 respectively, only one training programme was conducted.

Moreover, as per the orders of the Supreme Court, State and District Quality Assurance Committees were to be formed to ensure observation of national norms of family planning as well as to conduct reviews of death cases occurring due to family planning operations. Though the committees were stated to have been constituted by SHS, no records regarding holding of regular meetings as required were available with it.

The Total Fertility Rate (TFR) of the State was 3.1 in 2008 against the NRHM target of 2.1 upto 2012.

The department stated (November 2009) that the TFR could be reduced by providing IUD training, organising camps, promoting public-private partnership and sterilisations during the post-partum period.

### **1.1.14 National Disease Control Programmes**

#### **1.1.14.1 National Vector Borne Disease Control Programme**

The National Vector Borne Disease Control Programme (NVBDCP) seeks to control vector-borne diseases by reducing mortality and morbidity due to malaria, filaria, kala azar, dengue, chikungunia and Japanese encephalitis in endemic areas by close surveillance, control of breeding of mosquitoes, flies etc. through indoor residual spraying of larvicides and insecticides and improving diagnostic and treatment facilities at health centres.

Under NVBDCP, all areas having an annual parasite index (API)<sup>46</sup> of two and above were required to be covered under compulsory residual spraying of Dichloro Diphenyl Trichloroethane (DDT) and Anti-larva solution (ALS). However, 6.35 per cent and 6.26 per cent (average) houses were not provided DDT and ALS as shown in the **Table 1.15**.

**Table 1.15 : Shortage of DDT and ALS spray**

Year	No. of districts having API of two and above	DDT Spray			ALS Spray		
		No. of houses targeted	No. of houses where spraying was done	Shortfall (per cent)	No. of houses targeted	No. of houses where spraying was done	Shortfall (per cent)
2005	14	530885	497161	33724 (6.35)	686587	649080	37507 (5.46)
2006	13	317551	298630	18921 (5.96)	918623	851751	66872 (7.28)
2007	09	204105	190354	13751 (6.74)	978649	909530	69119 (7.06)
2008	10	221182	207134	14048 (6.35)	323516	306575	16941 (5.24)

(Source: -Director of Health Services, M.P., Bhopal)

<sup>46</sup> Positive malaria cases per thousand population.

Required spraying of Dichloro Diphenyl Trichloroethane and Anti-larva solution was not done.



As per NRHM guidelines, the malaria mortality rate was to be reduced by 10 *per cent* during 2007-08.

There were 53 deaths due to malaria during 2008 against 44 deaths reported in 2005 in the State. There were seven deaths due to malaria during 2008 against two deaths reported in 2005 in four<sup>47</sup> test-checked districts. Thus the reduction of the mortality rate by 10 *per cent* during 2007-08 could not be achieved.

#### **1.1.14.2 Revised National Tuberculosis Control Programme**

**Shortfall noticed in smear positive cases.**

The objectives of the Revised National Tuberculosis Control Programme (RNTCP) were to achieve and maintain detection of at least 70 *per cent* of new smear positive cases and a cure rate of at least 85 *per cent* among newly detected infectious (new smear positive) cases of tuberculosis. At the State level, the status of the detection rate was 53 to 56 *per cent* while the cure rate was 78 to 83 *per cent* during January 2005 to December 2008. Seventy *per cent* detection rate in new smear positive cases was not achieved in the test-checked districts except in Gwalior and Mandla and the 85 *per cent* cure rate was achieved only in Gwalior, Indore, Khargone and Mandla out of the 12 test-checked districts.

#### **1.1.14.3 National Programme for Control of Blindness**

**Targets of cataract operations were not achieved due to shortage of doctors and para-medical staff.**

The main objective of the National Programme for Control of Blindness (NPCB) was to reduce the prevalence of blindness cases by 0.8 *per cent* by 2007 through increased cataract surgeries. The required cataract surgery rate was fixed as 0.006, i.e. 600 cataract operations per lakh population per year in the State. Against the targets fixed for operation of 600 per lakh population, a total of 455 in 2005-06, 502 in 2006-07 and 534 in 2007-08 per lakh population operations were performed in the State.

Scrutiny of records of the test-checked districts revealed that the targets fixed for the operations from 2005-06 to 2008-09 could not be achieved in any of the districts except for Ujjain as shown in **Table 1.16**.

**Table 1.16 : Shortfall in cataract operations**

Name of District	Betul	Bhind	Bhopal	Dhar	Gwalior	Indore	Khargone	Mandla	Morena	Raisen	Shahdol
Target for operation	18500	29000	59000	20000	67000	111000	20000	15000	25000	16000	11500
Achievement	15693	26108	57682	17863	61883	107348	15933	12806	24657	12578	9443
Shortfall	2807	2892	1318	2137	5117	3652	4067	2194	343	3422	2057

(Source: -Data collected from DHSs)

The Director (Blindness Control) stated (November 2009) that the targets of operations could not be achieved due to shortage of eye specialists/eye surgeons and para-medical staff.

<sup>47</sup> In 2008 (Bhopal – 2, Dhar – 2, Morena – 2, Raisen – 1) and in 2005 (Bhopal – 1 and Dhar – 1).

#### ***1.1.14.4 Refractive error detection and free distribution of spectacles***

**30,715 students suffering from refractive errors were not provided free spectacles.**

The National Programme for Control of Blindness envisaged training of teachers in Government and Government-aided schools in screening of refractive errors amongst students and free distribution of spectacles to students having such errors. Scrutiny of records in the test-checked districts revealed that 23,977 teachers were trained for screening of refractive errors. Out of the 30.59 lakh students examined, 57,191 had refractive errors but only 26,476 students were provided free spectacles as detailed in **Appendix 1.9**. During the exit conference, the department stated that the matter regarding non-providing of spectacles to all the students having refractive errors would be examined.

#### **1.1.15 Information Education and Communication**

**Information Education and Communication activities were not carried out effectively.**

The Information Education Communication (IEC) strategy under NRHM aimed to spread awareness on the preventive aspects of health care and dissemination of information regarding availability and access to quality health care for poor women and children in rural areas. The awareness in respect of the above aspects was to be spread through television/radio/songs/dramas/hoardings/ wall paintings/advertisements in the print media and printed material in regional languages as well as by organising health *melas* and health camps. Scrutiny of records of 12 test-checked districts revealed the following:

- Village health and nutrition days were to be organised in every village by ANM with the help of Anganwadi workers and ASHAs. During 2005-06, such days were not organised in any district. These were organised only in one<sup>48</sup> district during 2006-07, in three<sup>49</sup> districts during 2007-08 and in four<sup>50</sup> districts during 2008-09.
- Health camps were to be organised regularly in remote areas for providing necessary health services to people living there. Such camps were organised only in Khargone district during 2005-06. In the subsequent years, the camps were held only in a few districts<sup>51</sup>.
- Training under IEC was organised in Bhind and Ujjain districts during 2005-06 and 2008-09 respectively for development of knowledge/skills of IEC personnel at the State/district/ block levels.
- Evaluation was stated to have been done by Block Medical Officers to assess the impact of various IEC activities on rural population only in

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<sup>48</sup> *Betul.*

<sup>49</sup> *Betul, Indore and Ujjain.*

<sup>50</sup> *Betul, Gwalior, Indore and Ujjain.*

<sup>51</sup> *2006-07(Khargone, Morena and Shahdol), 2007-08 (Gwalior, Indore, Khargone Morena and Shahdol), 2008-09 (Gwalior, Indore, Khargone and Ujjain).*

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Indore and Raisen districts. However, no evaluation reports were produced to Audit.

### **1.1.16 Monitoring**

Monitoring is a critical and analytical tool for measuring the impact of schemes and programmes and adopting correctional approaches. The focus of monitoring should be to assess the progress so that mid-course corrections can be effected through the problem-solving approach. NRHM envisaged an intensive accountability framework through a three-pronged process of community-based monitoring, external surveys and stringent internal monitoring. Monitoring and Planning Committees as prescribed under NRHM were not formed at the block and district level to monitor the activities and utilisation of funds as well as to review the functioning of different health centres. Various monitoring committees such as RKS Monitoring Committee, Maternal Death Review Committee and Quality Assurance Committee had not been formed or were not functional to monitor the different activities under NRHM. Community action was to be channelised through public hearings (*Jan Sunwai*) or public dialogue (*Jan Samvad*), which were required to be held at the PHCs, CHCs and at the district level once or twice in a year with open access to all. These were meant to enable the general public and various groups and organisations to give independent feedback about the status of health services in these areas. No *Jan Sunwai/Jan Samvad* was held at any level in the test-checked districts.

### **1.1.17 Evaluation**

An independent evaluation of the implementation of NRHM was required to be done by the Planning Commission and other reputed bodies, viz., the International Population Research Centre, the Indian Institute of Management, the Institute of Public Auditors of India, etc., but no such independent evaluation had been conducted by these agencies.

### **1.1.18 Conclusion**

The Mission failed to conduct household and facility surveys, which constituted the basis for realistic health planning. The annual State and District PIPs were formulated without inputs from the lower levels. The Perspective Plans for the Mission period were not prepared by the District Health Societies. There was no community participation in planning and monitoring of activities. Diversion of NHRM funds to another scheme indicated inadequate control over financial management. Shortfalls in the availability of health centres, manpower and infrastructure affected the progress of the Mission in providing quality health care. All selected ASHAs were not trained and the fifth module training for them was not started in the State. Drug kits were procured in excess of sanctions and norms. Late registration of pregnant women at health centres was also noticed. Assistance under the *Janani Suraksha Yojana* was not provided to the beneficiaries in time. Family

planning programmes were not carried out effectively as there were shortfalls in spacing and terminal methods of family planning. The tuberculosis cure rate at the State level was below the prescribed rate. Village health and nutrition days and health camps were not organised in all the test-checked districts. No evaluation was done to assess the impact of various IEC activities. Due to non-formation of monitoring and planning committees, appraisal and evaluation of activities could not be ensured.

### **1.1.19 Recommendations**

- Perspective Plans for each district should be prepared after conducting household surveys and facility surveys.
- Planning should follow a bottom-up approach and community involvement should be ensured in the planning process.
- Regular release of untied and maintenance grants to health centres should be ensured.
- Construction of the required health centres should be taken up on priority basis. Health facilities should be provided at all health centres as per the Indian Public Health Standards (IPHS).
- Vacant posts of medical and para-medical staff should be filled up as per IPHS and all selected ASHAs should be fully trained as soon as possible.
- Registration of all pregnant women in the first trimester should be ensured and payment to motivators under *Janani Suraksha Yojana* should be made only after ensuring post-natal checkups.
- Information, Education and Communication activities such as organising of village health and nutrition days and health camps should be strengthened to spread health care awareness amongst the rural population.
- Monitoring and supervision of Mission activities should be strengthened by establishing monitoring and planning committees at each level as envisaged in the NRHM guidelines.

## Public Works Department

### 1.2 Construction and maintenance of Roads and Bridges under the Build-Operate and Transfer scheme

#### *Highlights*

*The Government of Madhya Pradesh started involving private sector investment as a source of funding for construction and maintenance of roads and bridges since 1992. Construction and improvement of a total 23 roads and four bridges was taken up under the Build, Operate and Transfer and the bond Build, Operate and Transfer scheme at a cost of Rs 1077.55 crore during 2000-03. Private investors were authorised to collect toll from users as per rates approved by the Government for periods ranging from 1,311 to 5,440 days, to recover their investments. Some important findings of the performance audit of these works are given below:*

**The construction of Satna and Katni bypasses was taken up under the Build, Operate and Transfer (BOT) scheme. Due to faulty location of the toll booth on the Satna bypass, light vehicles not entering the bypass had to pay toll tax.**

*(Paragraph 1.2.7.1)*

**Bid evaluation was not transparent. Huge differences between total project costs and toll income led to extra toll collection estimated at Rs 315.90 crore.**

*(Paragraph 1.2.8.1)*

**Out of 10 roads taken up under BOT, completion of one road was delayed by 1594 days. Out of 13 roads taken up under bond BOT, completion of nine roads was delayed from 486 to 1860 days while one road was still to be completed.**

*(Paragraph 1.2.11.1)*

**Private investors were permitted to collect toll of Rs 8.24 crore even before completion of the projects, which was contrary to the provisions of the agreements. Though the Hoshangabad-Harda-Khandwa Road was not completed for commercial operations, the investor was allowed by the department to collect toll of Rs 1.72 crore.**

*(Paragraphs 1.2.11.2 and 1.2.11.3)*

**Lack of quality control measures led to substandard works of Rs 18.05 crore. Renewal and maintenance works of Rs 71.89 crore were neither monitored nor confirmed through measurement books.**

*(Paragraphs 1.2.11.5 and 1.2.13)*

**The private investors failed to hand over the Ratlam-Jaora-Levad Road and the Indore-Ujjain Road as per approved designed specification hence, the Government had to spend Rs 6.17 crore on premature renewal and Rs 5.82 crore on repairs of the roads.**

*(Paragraph 1.2.14)*

**Private investors were given undue benefits for extra toll collection of Rs 15.76 crore due to sanction of extra toll days and unauthorised financial aid of Rs 3.27 crore.**

*(Paragraphs 1.2.8.2, 1.2.9.1 and 1.2.10.1)*

**The private investor for the Dhar-Gujri road committed breach of agreement and collected extra toll of Rs 6.29 crore in violation of agreement provisions.**

*(Paragraph 1.2.11.2)*

### **1.2.1 Introduction**

Public Private Partnerships (PPP) offer a unique and innovative method for involving the private sector in nation building activity and in accelerating the delivery of public goods and high quality services through joint enterprises. PPPs enable the Government to build additional social facilities like roads, flyovers etc. without resorting to additional resource mobilisation.

The Government decided (1992) to involve private investors<sup>52</sup> for construction of roads and bridges and improve most of the existing roads and authorised them to recover their invested capital by levying toll taxes for using the services. This method was commonly known as the Build, Operate and Transfer (BOT) scheme. In 2001, it decided to strengthen, widen and improve 15 existing roads by providing subsidy<sup>53</sup> of upto 66 *per cent* of the estimated cost to private investors out of the funds collected from issue of bonds and borrowings through the Madhya Pradesh Infrastructure Improvement Fund Board (MPIIFB) and in return, authorise the investors to recover their investments by collecting toll tax from users. This type of scheme was called the bond BOT scheme.

During 2000 to 2003, the Government started 14 works as shown in **Appendix 1.10** under BOT at an estimated cost of Rs 176.03 crore, which included strengthening and widening of five existing roads, construction of three bypasses at Dewas, Katni and Satna, construction of two bypasses on National

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<sup>52</sup> *'Investors' are termed as 'entrepreneur' in Public Works Department (PWD) and as 'concessionaire' in PWD National Highway (NH) and Madhya Pradesh Rajya Setu Nirman Nigam (MPRSNN) (now Madhya Pradesh Road Development Corporation (MPRDC)).*

<sup>53</sup> *Share of Government support to an investor under bond BOT.*

Highway (NH) No.7 and four<sup>54</sup> bridges. Two bypasses on NH No.7 were under the control of the Ministry of Road Transport & Highways (MORT&H). The responsibility of the State PWD was limited to inspections during the construction period and full supervision during the operation and maintenance period. Government also undertook 13 projects under bond BOT for strengthening and widening of existing State highways (SH) at an estimated cost of Rs 901.52 crore with Government support of Rs 462.74 crore as subsidy (ranging from 33.46 per cent to 63 per cent of the estimated cost of each project) through the Madhya Pradesh Road Development Corporation (MPRDC) earlier known as Madhya Pradesh Rajya Setu Nirman Nigam Ltd. (MPRSNN). The works under BOT were taken up through the Public Works Department (PWD) and the works under bond BOT were taken up through MPRDC. The details of these works are shown in **Appendix 1.10**.

### 1.2.2 Organisational set-up

Both PWD and MPRDC are headed by the Principal Secretary, PWD. In the PWD, the Engineer-in-Chief (E-in-C) is the apex level officer followed by Chief Engineers (CE), Superintending Engineers (SE) and Executive Engineers (EE). MPRDC is headed by a Managing Director (MD) cum Secretary, PWD who is assisted by a CE and Divisional Managers.

Apart from the above, an independent Engineer and a Supervision and Quality Consultant (SQC) are also engaged in each case by the MORT&H and MPRDC respectively for supervision, monitoring and quality control of the works.

### 1.2.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- the selection of roads and bridges and overall planning were done as per the guidelines of the programme approved by MORT&H and the State Government;
- the fund management for bond BOT projects was as per the guidelines;
- the execution of the agreements was as per the rules and took care of all aspects of the works including fixing of concession periods;
- the execution of works was carried out in an economical and efficient manner and
- an effective system of quality control and monitoring was in existence.

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<sup>54</sup> Bridge on Balaghat-Seoni Road, Bilaspur-Mandla Road, Chhindwara-Nagpur Road and Chhindwara-Narsinghpur Road.

#### **1.2.4 Audit Criteria**

The audit findings were benchmarked against the following criteria:

- Instructions and specifications issued by MORT&H for construction and maintenance of roads and bridges under BOT;
- Instructions issued by the State Government for implementation of BOT projects;
- Recommendations and publications of the Indian Roads Congress (IRC) and
- Provisions of agreements governing execution and maintenance of roads and bridges.

#### **1.2.5 Scope of audit**

The schemes were in operation in 11<sup>55</sup> out of 50 districts of the State. Twelve<sup>56</sup> divisions of PWD including two divisions of PWD (NH) and five divisions of MPRDC were involved in the work. PWD covered 10 roads and four bridges in 12 divisions and MPRDC covered 13 roads in five<sup>57</sup> divisions.

Records of all 14 BOT works of PWD and 13 works of bond BOT of MPRDC were reviewed between February and October 2008 and between May and October 2009, covering a period from 2004 to 2009.

An entry conference was held with the E-in-C, PWD. An exit conference was held with the Principal Secretary, Finance and Secretary, PWD. Results of test check are included in the succeeding paragraphs.

#### **1.2.6 Fund Management**

Under BOT, the investor financed the entire expenditure on a project without any financial aid from the Government. For bond BOT, the Government provided financial aid as subsidy up to 66 *per cent* of the project cost. In order to mobilise resources for infrastructural projects including roads, the Government established the Madhya Pradesh Infrastructure Improvement Fund Board (MPIIFB) in 2000. The Board raised Rs 79.95 crore in 2001 through bonds and borrowed (2003) Rs 420.05 crore as loan from the Housing and Urban Development Corporation Limited (HUDCO) for road works under bond BOT. Based on the progress of work, MPRDC released the subsidy to

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<sup>55</sup> *Burhanpur, Dewas, Dhar, Indore, Jabalpur, Katni, Ratlam, Rewa, Satna, Seoni, and Ujjain.*

<sup>56</sup> *PWD, Burhanpur (B/R) Dn, Dewas (B/R) Dn, Dhar (B/R) Dn, Indore-II (B/R) Dn, Jabalpur (Bridge), Jabalpur (NH), Katni (B/R) Dn, Ratlam (B/R) Dn, Rewa (NH), Satna (B/R) Dn, Seoni (Bridge) and Ujjain (B/R) Dn.*

<sup>57</sup> *Bhopal, Indore, Jabalpur, Rewa and Ujjain.*

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the investors in 10 equal instalments as per the agreements on the basis of work done, duly checked by the supervision quality consultant.

The details of funds provided by MPIIFB to MPRDC and the subsidy paid by them is given in **Table No.1.17**.

**Table No.1.17: Fund Management**

(Rupees in crore)

Year	Funds received from MPIIFB for bond BOT projects	Expenditure on payment of Subsidy	Savings (-) Excess (+) under bond BOT projects
<b>MPRSNN</b>			
2001-03	80.19	62.66	(-)17.53
2003-04	97.50	89.21	(-) 8.29
2004-05 up to 11/2004	68.03	93.50	(+)25.47
<b>MPRDC</b>			
2004-05	103.16	83.93	(-) 19.23
2005-06	56.27	56.60	(+) 0.33
2006-07	0.00	14.51	(+) 14.51
2007-08	0.00	0.00	0.00
2008-09	0.00	0.00	0.00
<b>Total</b>	<b>405.15</b>	<b>400.41</b>	

(Source: - Information supplied by MPRDC)

Audit observed that the funds remained underutilised during 2001-02 to 2004-05. The Chief Engineer, MPRDC stated that underutilisation of funds was due to slow progress of work by the investors. The reply is not acceptable because no action was taken against the defaulting investors during that period.

## 1.2.7 Project Formulation

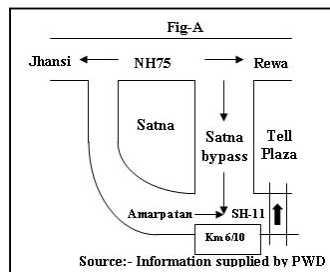
### 1.2.7.1 Selection of roads

The established procedure for PPP project formulation in Government of India (GOI) envisaged that the sponsoring Ministry/ State must identify the projects to be executed through BOT and undertake preparation of strategic plans, detailed project reports (DPR), feasibility reports and concession agreements along with other subsidiary agreements, with the assistance of legal, financial and technical experts. For BOT works, the estimates and the DPRs were prepared by the PWD. The DPRs included work to be executed, detailed estimates, drawings, details of existing roads, bridges and culverts, traffic survey data, toll rates and proposed cash flow statements.

For bond BOT works, the DPRs were prepared by technical consultants. Each such DPR included a socio-economic profile, traffic analysis, survey and investigation, design standard, cost estimate, specification and design.

The projects taken up by the PWD were justified on account of paucity of funds, inconvenience to the public, traffic congestion etc. The projects taken up by MPRDC under bond BOT were undertaken following the directions of the Government.

Scrutiny revealed that project preparation of two bypasses taken up under BOT was not as per MORT&H guidelines as detailed below:



**Satna bypass:** Construction of the Satna bypass<sup>58</sup> (length 7.35 km) was taken up (June 2000) under BOT with the justification of avoiding traffic congestion in Satna city. MORT&H guidelines required that for construction of a new bypass, origin and destination surveys should be done for correct judgment of traffic to be routed over it and for identification of the correct location of toll

plaza. Contrary to these requirements, the traffic was counted at one km beyond the bypass on km 6/10 of Satna-Amarpatan section of SH-11 and this length was included with the bypass in the estimate to arrive at a reasonable toll collection period to make the project feasible and accordingly, the toll plaza was installed there. Consequently, users of SH-11 coming to Amarpatan via Satna and back had to unnecessarily pay toll tax at the toll plaza even though they were not using the bypass.

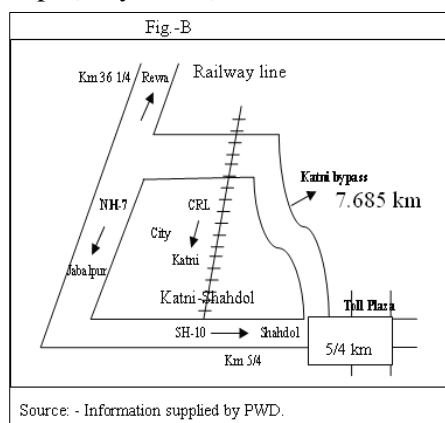
**Due to improper location of toll booth, users not using the toll road had to pay toll tax.**

According to a note submitted (January 2002) by the EE, PWD Division, Satna, if the toll booth was to be shifted to the Satna-Amarpatan junction or beyond, the department would have to arrange for a permanent barrier on the Satna-Amarpatan section to disallow the passage of commercial vehicles and to allow passage of small utility vehicles to Satna city. According to this arrangement, toll collection would decrease from Rs 29,225 to Rs 23,104 per day due to non-levy of toll on traffic not using the bypass for Satna. Consequently, the investor would recover his project cost including profit in 15 years instead of 3,190 days as provided in the concession agreement. The decrease in toll revenue on account of light vehicles not using the bypass would work out to Rs 3.35 crore in 15 years. The EE further mentioned that if the contract was to be closed, claim of Rs 4.96 crore would have to be paid to the investor. No decision on this matter had been taken as of July 2009 even after a complaint (April 2005) by the Collector, Satna to the Secretary, PWD.

On this being pointed out by Audit, the E-in-C, PWD stated (November 2008) that the bypass was constructed to avoid traffic congestion in Satna city. The users of heavy vehicles had to be routed through the bypass as they were prohibited from entering the city. The reply does not address the issue of levy of toll charges on vehicles not using the bypass. The situation could have been avoided if proper survey was conducted and location of toll plaza was fixed adjacent to the bypass.

<sup>58</sup> Takes off at km 167/10 of NH-75 (Satna-Rewa section) and joins at km 6/2 of SH-11 (Satna-Amarpatan section).

**Katni bypass:** Construction of the Katni bypass<sup>59</sup> (length 7.86 km) was taken up (May 2000) under BOT at an estimated cost of Rs 4.73 crore. The



justification given for construction of the bypass was to avoid traffic congestion in Katni city. MORT&H guidelines required that for construction of a new bypass, origin and destination survey should be done for correct judgment of the traffic to be routed over it. Contrary to these requirements, the traffic was counted at km 5/4 of SH-10 and the toll plaza was installed there.

Consequently, users from Shahdol to Katni and vice-versa, though not using the bypass, were required to pay toll tax at the toll plaza. Complaints were made (April 2004) by the public to the Chief Minister and through publication (April 2006) in a local newspaper but the status of the project had not changed (July 2008).

On this being pointed out, the E-in-C, PWD stated (November 2008) that during project preparation, it was considered that the traffic would follow the bypass. The reply is not acceptable because it does not address the issue of levy of toll charges from vehicles not using the bypass. This situation could have been avoided had the toll plaza been installed at the correct location.

## 1.2.8 Project implementation

### 1.2.8.1 Bid evaluation

For BOT works, bids were invited for the operational period<sup>60</sup> in number of days. In respect of five BOT roads, the operational period started after completing the specified initial work of the first six months, after which toll collection was to be authorised. The investors also had to complete the specified works of each subsequent year and maintain the roads during the operational period. The operational period of three bypasses started after completion of the works in 16 to 24 months. In the case of two bypasses on NH-7, the investors were required to offer a total concession period including the construction period of 24 months. In the case of bond BOT schemes, the concession period<sup>61</sup> was fixed at 5,440 days, including construction periods of 15 to 24 months and the investors were required to offer the amount of subsidy for the specified works.

<sup>59</sup> Takes off at km 361/4 of NH-7 (Jabalpur- Rewa section) and joins at km 5/4 of SH-10 (Katni-Shahdol section).

<sup>60</sup> Period of operation and maintenance during which the investor collects the toll.

<sup>61</sup> Concession period included construction and operational period.

For BOT works in PWD, bids were evaluated on the basis of the total project cost (TPC) as cash outflow and toll revenue as cash inflow<sup>62</sup>. The element of profit was not accounted for. The reasonable period of operation was considered as that period in which the investor fully recovered his total project cost from the toll revenue. The cash inflow continued even after the project cost was fully recovered and the bid of the investor who offered the lowest operation period was accepted.

MORT&H, in their instructions, mentioned (January 1997) that evaluation of bids should be carried out on the principle of least cost to the users. However, no specific instructions were issued by the Government in this regard. Therefore, while preparing cash flow statements for seven road projects under BOT, the PWD considered rates of interest ranging from 16 to 18 *per cent* on investment and 0.00 to 18 *per cent* on toll income respectively. The expenditure was shown as TPC, which was indicated as cash outflow and similarly total income from toll collection was indicated as cash inflow. For bond BOT roads, bid evaluation was done through financial consultant who justified the bid of Dewas-Ujjain-Badnagar Road with a rate of interest of 14 *per cent* on investment. The details of calculations were however not found attached with the note.

**The bid evaluation did not follow the principles of the least cost to the users.**

Scrutiny of the cash flow statements for seven BOT roads and two bond BOT roads as per the procedure adopted by PWD (at an uniform rate of 14 *per cent* interest on investment, 8.5 *per cent* interest on toll revenue and 10 *per cent* profit margin accepted by MORT&H for rate analysis) revealed that the bid evaluation did not provide economic cost (toll fee) to the users. The period of toll collection was not restricted to the time when the investor would fully recover the TPC and the bids of investors who offered lowest days for toll collection and asked for lowest amounts of subsidy were accepted. Thus, there were huge differences between TPC and toll income, indicating scope for extra toll collection of Rs 315.90 crore as shown in **Table No.1.18**.

Details in respect of the remaining projects of BOT / bond BOT were not provided to Audit.

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<sup>62</sup> *Toll collection every year and interest on it.*

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Table No. 1.18 : Bid evaluation statements

(Rupees in crore)

Sl.No	Name of Road	Toll days	Estimated Cost of the road	Total Project Cost	Estimated Toll Income	Scope for extra toll collection	Percentage of extra toll collection
<b>PWD</b>							
1	Dhar -Nagda	1539	4.88	7.57	9.30	1.73	22.85
2	Ratlam-Levad	1311	10.55	19.81	29.40	9.59	48.41
3	Indore-Ujjain	2419	5.68	12.20	17.27	5.07	41.56
4	Dewas by Pass	3922	34.22	112.52	209.28	96.76	85.99
5	Satna by pass	3190	3.27	10.31	12.71	2.40	23.28
6	Katni by pass	3941	4.73	18.62	31.78	13.16	70.68
7	Burhanpur-Khandesh	1977	3.48	5.15	5.97	0.82	15.92
<b>Total</b>			<b>66.81</b>	<b>186.18</b>	<b>315.71</b>	<b>129.53</b>	
<b>MPRDC</b>							
8	Ujjain- Jhalawad	5440	66.70	194.03	310.10	116.07	59.82
9	Hoshnagabad-Pachmarhi	5440	57.60	112.47	182.77	70.30	62.50
<b>Total</b>			<b>124.30</b>	<b>306.50</b>	<b>492.87</b>	<b>186.37</b>	
<b>Grand Total</b>						<b>315.90</b>	

Source:-Information supplied by PWD and MPRDC

On this being pointed out in audit, the E-in-C, PWD stated (November 2008) that the maintenance cost, expenditure on toll collection and interest on capital would reduce the net toll income considerably, which, perhaps had not been considered by Audit. The CE, MPRDC stated (November 2009) that in BOT projects, the risk of traffic and cost escalation had been transferred to the investor and the toll revenue was only an estimation. The reply is not tenable because while calculating the total project cost, the element of maintenance cost, expenditure on toll collection and interest on investment etc. had already been included. As regards price variation, the rates of toll were increased by seven *per cent* every year. Further, a substantial portion of financial risk had already been taken care of by MPRDC by providing subsidy as shown in **Appendix 1.10**.

### 1.2.8.2 Undue benefit to the investor by extending concession period

As per the standard agreement for BOT projects, in case an investor failed to execute any activity within 15 days of being informed or served a notice, the investor was liable for penal action, which in addition to forfeiture of performance security, would result in the Governments taking over the right of toll collection till such period as they might decide. The investor would have no claim on the toll collected by the department during that period. In the event of any violation of agreement conditions, the Dispute Redressal Committee<sup>63</sup> (DRC) was to determine (rescind) the agreement and take over the site.

<sup>63</sup> The agreement provided for formation of a Committee headed by the CE as chairman with two SEs and one EE as members for issue of completion certificate and settlement of disputes within 60 days by mutual understanding. The committee was called Dispute Redressal Committee.

**Benefit of Rs 2.55 crore to an investor due to 312 days of additional toll collection.**

Initial work amounting to Rs 1.40 crore of the Nagda-Dhar Road (km 69/10 to km 92/4) was completed in May 2002 and toll collection was authorised to the investor from July 2002. The investor failed to execute some portion of the works included in the agreement and demanded (August 2002) revision of design and restoration (February 2003) of the toll collection rights, which had been stopped (November 2002) by the EE. The matter remained under consideration of the High Court of Indore and an Arbitration Tribunal from December 2002 to April 2005. The estimate was revised from Rs 4.87 crore to Rs 14.63 crore at the instance (April 2005) of the Arbitration Tribunal and toll collection rights were restored to the investor in July 2005. However, the investor again failed to complete the work as per the revised scope of work. The investor approached (July 2008) the district court for release of payment for the extra work done as per the revised design but the court rejected (April 2009) the case. The EE and the Collector, Dhar, approached the DRC and the Government to take penal action against the investor for breach of agreement for collecting toll without executing the work. No action had been taken by the department. The investor again filed (July 2009) a writ petition in the High Court of Indore, for payment for the extra work. As per the CE's recommendations (July 2009), the Government agreed (July 2009), to award 229 extra days for toll collection, in adjustment of the original work of Rs 2.62 crore done as per the agreement and additional work of Rs 3.51 crore. The Government directed (July 2009) that the extra days may be calculated as per the agreement. The investor was authorised (July 2009) by the EE to collect toll for the extra 229 days, after which the writ petition was withdrawn (July 2009).

Against the actual expenditure of Rs 6.13 crore (Rs 2.62 crore on original work and Rs 3.51 crore on additional work upto April 2008), the collection of toll by the investor worked out to Rs 12.49 crore.

In order to provide the extra 229 days, the department added 691 days for additional work of Rs 3.51 crore as per clause 22.7 of the conditions of contract and deducted 462 days for work amounting to Rs 2.25 crore not done as per the original agreement though there was no provision in the agreement for deduction in toll days for the work not done by the investor. The net effect was that the toll days increased from 1489 to 1718 days up to 17 March 2010.

Scrutiny by Audit revealed that the investor disregarded the agreement from 2005 to 2008 and failed to execute the work awarded (2001) as per the original agreement and the revised (April 2005) design. As per the cash flow statement (2001) forming part of the bid evaluation documents, the investor had fully recovered his investment of Rs 2.62 crore as per the original work in 715 days. Therefore, the total days of toll collection came to 1,406 days, including 691 days for additional work done as calculated by a departmental committee. Thus the investor was given undue benefit of 312 days i.e. 1718 days minus 1,406 days in which extra collection of toll by the investor worked out to Rs 2.55 crore.

On this being pointed out in audit, the EE stated (September 2009) that on the basis of extra work, the Government sanctioned, 229 extra days of toll collection. The reply is not acceptable because instead of taking penal action for breach of agreement, the investor was given extra days of toll collection, beyond the provisions of agreement.

- As per clause 24.1 of the agreement for authorisation of toll collection, the accepted toll days had to be evaluated on the basis of work done by reducing the toll days for delayed completion and increasing the toll days in case of early completion. In case an investor was unable to execute some portion of the work due to unavoidable reasons, the DRC was to certify the reasons and decide on the issue of completion certificate of the project. The cost of such left out work was to be deposited by the investor with the department. The investor was to complete such work at the earliest and the amount deposited was to be refunded only after completion of the work.

**An investor was given benefit of 103 extra days for toll collection on early completion of work.**

The DRC for construction of Dewas bypass under BOT issued (May 2004) a completion certificate, 103 days in advance of the stipulated date of completion against a deposit of only Rs 20 lakh from the investor when the initial works of Rs 1.56 crore were not done and the cost of land acquisition amounting to Rs 2.95 crore was not deposited by the investor. The remaining items of work were still to be certified as completed even though the deposit of Rs 20 lakh was refunded (January 2005) to the investor. The Government authorised toll collection without increasing the toll days for early completion but the CE, in contravention of this, granted (May 2006), 103 extra days of toll collection as bonus for the incorrectly reported early completion of work.

As the specified works of Rs 1.56 crore were not completed and cost of land of Rs 2.95 crore was not paid (May 2004), the action of the CE to issue a completion certificate and grant extra days as bonus for early completion was incorrect and resulted in undue benefit of approximately Rs 5.66 crore to the investor as estimated toll collection at the end of the last year of the operational period.

On this being pointed out in audit, the E-in-C, PWD stated (November 2008) that the DRC had issued the completion certificate after evaluation of the remaining works. The reply is not acceptable because the cost of the remaining works as per the Measurement Book and the cost of land acquisition worked out to Rs 4.51 crore.

**An investor was given undue benefit of Rs 4.23 crore as 77 extra days of toll collection.**

- A work order for commencing the work of the Dewas bypass under BOT was issued in March 2002. As per the agreement, the investor was responsible for payment of land charges of Rs 5.77 crore. Any excess amount over Rs 5.77 crore was to be deposited with the department by the investor within 15 days. The extra land charges were to be treated as extra work and adjusted by way of allowing extra days for toll collection. The investor was also responsible for survey and design, incurring the entire project cost and removing electrical lines. It was found that the investor failed to deposit land charges and remove

electric lines and started the work after a delay of 77 days. The CE as Chairman of the DRC held the investor responsible for the delay but suggested revision of the date of the work order as June 2002. The DRC awarded (March 2006) 77 extra days for toll collection without any justification.

As the investor was responsible for the delay, no extra days should have been awarded. Thus undue benefit of Rs 4.23 crore was given to the investor.

On this being pointed out in audit, the E-in-C, PWD stated (November 2008) that the value of work had increased by more than 10 *per cent* and levels for earthwork were finalised late and therefore, 77 days were awarded. The reply is not acceptable because the works were delayed due to delay in payment of land acquisition charges for which the investor was responsible and not for the extra work in excess of 10 *per cent*.

**The concession period of an investor was not decreased for delay of 312 days which led to extra toll collection of Rs 3.32 crore.**

- The Dhar-Gujri Road from km 92/6 to km 140/4 under BOT, scheduled to be completed by February 2002, was actually completed in July 2006. Though delay of 312 days out of the total delay of 1594 days was attributable to the investor, the department did not reduce these days from the accepted toll days. This resulted in estimated undue benefit to the investor to the extent of Rs 3.32 crore due to non-deduction of toll days for delay in completion.

On this being pointed out in audit, the EE, PWD, Dhar stated (September 2009) that a proposal for termination of toll collection had been submitted (March 2009) to the DRC and the adjustment would be made at the time of final action.

## **1.2.9 Risk Allocation**

### ***1.2.9.1 Undue mitigation of financial risk of the investor***

**Investor was given financial aid of Rs 1.27 crore.**

As per the agreement for construction of the Dewas bypass under BOT, the investor was to pay Rs 5.77 crore as land acquisition charges to the department. Payment in excess of Rs 5.77 crore was to be made by him within 15 days of demand by the client i.e. the department. The excess amount was to be treated as extra work which was to be adjusted by granting extra days for toll collection. The cost of land during execution increased to Rs 8.72 crore but the investor failed to deposit the balance amount of Rs 2.95 crore till completion of the work. However, the investor was allowed to deposit Rs 2.95 crore in four instalments after starting from May 2004 the toll collection upto December 2004, for which he was to be compensated by award of extra toll days after the agreed period of toll collection. It was seen that the district court of Dewas demanded (October 2007) from the department, Rs 1.27 crore from the investor for settlement of disputes of the cultivators. The investor failed to deposit the amount of Rs 1.27 crore but the same was paid (October 2007) by the EE, PWD division, Dewas without obtaining any sanction from the Government. Thus, the financial risk associated with the project was borne by



the department instead of the investor, who was given unauthorised financial aid of Rs 1.27 crore.

Admitting the facts, the E-in-C, PWD stated (November 2008) that due to excess over the agreed cost of land, allotment was made to pay the decretal charges of land acquisition. The reply was not in accordance with the provisions of the agreement which required that the amount in excess of Rs 5.77 crore was to be paid by the investor.

## 1.2.10 Viability Gap Funding and Subsidy

### 1.2.10.1 Financial aid to investors

Investor got unauthorised financial aid of Rupees two crore.

According to clause 23.2 of the standard agreement for bond BOT, MPRDC was to disburse subsidy for bond BOT works to the investors in 10 equal instalments, proportionate to the cost of the projects, subject to the actual works executed. The last instalment of subsidy was, however, payable after submission of the final bills and issue of completion certificates of the projects. It was observed that the final bill of the investor and completion certificate for the Seoni-Balaghat-Gondia Road was submitted as late as in February 2008, but the investor was paid (November 2006) an amount of Rupees two crore against the final instalment of Rs 3.48 crore. This resulted in unauthorised financial aid of Rupees two crore to the investor.

On this being pointed out in audit, the CE, MPRDC did not offer any comment.

## 1.2.11 Evaluation of Projects

### 1.2.11.1 Physical targets and achievements

As per documents/records available with the PWD, the initial work of 10 roads under BOT were shown as completed on time in all cases (except the Dhar-Gujri Road which was delayed by 1594 days) and accordingly, toll collection was authorised by the department to the investors.

In the status report (March 2008) of MPRDC for bond BOT works, out of 13 projects, 10 projects were shown as completed. In respect of the remaining three<sup>64</sup> projects, the contracts were terminated by MPRDC between May 2002 and December 2004 due to slow progress of work and failure in maintenance of the roads.

Scrutiny of records revealed that final completion certificates in respect of nine roads had been issued by MPRDC. A final completion certificate in respect of one road was still to be issued (November 2009).

<sup>64</sup> Bina-Sironj-Guna Road taken up 23 February 2003 terminated on 9 December 2004. Mandla-Kanha Road taken up 25 May 02 terminated on 8 March 2004 and Sagar-Damoh-Jabalpur Road taken up on 30 June 2005 terminated on 12 July 2007.

Delays in completion of projects with reference to the dates of the completion certificates ranged from 486 days to 1,860 days (upto November 2009) as given in **Table No. 1.19**.

**Table No. 1.19 : MPRDC Roads under bond BOT**

*(As on November 2009)*

S. No.	Name of the Road	Target date for completion as per agreement	Percentage of achievement on target date	Date <sup>65</sup> of issue of provisional completion certificate	Actual date of issue of final completion certificate	Delay in completion (days)
1	Indore –Edelabad	21.03.03	54	23.11.02 22.08.03 16.02.04	17.09.04	546
2	Ujjain-Jhalawad	15.09.03	85	19.05.03 13.02.04	14.01.05	486
3	Rewa-Amarkantak	14.07.04	66	19.05.04 25.08.04 11.11.04	03.05.07	1023
4	Satna-Umariya	14.07.04	66	20.05.04 12.03.05 18.02.05	03.05.07	1004
5	Hoshangabad-Khandwa	19.09.04	74	18.02.04 11.11.04 10.05.05	05.04.08	1294
6	Hoshangabad-Pachmarhi	28.05.05	84	24.05.05 03.07.05	Not issued	1645
7	Dewas-Ujjain-Badnagar	31.05.05	85	28.12.04 02.08.05	15.11.07	898
8	Jabalpur-Pipriya	05.01.05	54	26.05.05 07.02.06	24.02.07	780
9	Raisen-Rahatgarh	06.03.05	70	15.09.05 13.03.06	24.01.09 <sup>66</sup>	1420
10	Seoni-Balaghat-Gondia	17.09.04	19	25.10.05 22.02.08	22.10.09	1860
<b>Total</b>						<b>10956</b>

**(Source: Information/ record submitted by the MPRDC.)**

Scrutiny revealed that the delays were due to:

- delays in financial closure by investors causing delays in arranging financial packages;
- delays in acquisition of land, forest clearance and removal of utilities by the investor and MPRDC;
- delays in submission of drawings by investors;
- insufficient funds with the investors and frequent changes of EPC<sup>67</sup> contractors by the investors causing delay in implementation of projects;
- excessive rains, transporters strikes;

<sup>65</sup> The work was grouped for toll collection in 2 to 3 homogeneous section. The toll collection for each section was permitted earlier when the works were provisionally complete.

<sup>66</sup> For Raisen-Rahatgarh Road provisional completion certificate was issued (24 January 2009) without mention of actual date of completion.

<sup>67</sup> Erection Procurement and Construction.

- non-completion of pending items of provisional completion certificate by investors.

**Two or three provisional completion certificates were issued for a work instead of one final completion certificate.**

Further, as per the concession agreements, MPRDC, at the request of the investors, could issue provisional completion certificates of the projects, if all tests were completed and all parts of the highways could be legally and safely placed under commercial use, even though certain items of work were not yet complete. The remaining items were to be completed in 90 days subject to further extension of 90 days after which, the final completion certificate was to be issued. Scrutiny revealed that contrary to these provisions, provisional completion certificates were issued for two to three stretches for a project, instead of the entire project and the projects were completed with delays of 486 to 1,860 days as shown in **Table no.1.19**.

In four<sup>68</sup> cases, provisional completion certificates in different stretches were issued though major items like widening of roads, construction/ reconstruction and widening of bridges/culverts, construction of hard shoulders, construction of *pukka/kuchha* drains, wearing course (final Black Top surface), protection walls were incomplete. In the absence of these major items of work, the roads were not safe for commercial operations as per the agreements.

Admitting the delays in issuance of completion certificates, the CE, MPRDC stated (November 2009) that completion certificates could not be issued within prescribed period due to non-submission of drawings, final bill by the investor and change of scope of order, extension of time etc. by the MPRDC. He further stated that the delays pointed out by Audit were not correct as they should have been calculated by taking into consideration the date of issue of the provisional completion certificates. The reply is not acceptable because the provisional completion certificates were issued for stretches instead of for the entire project. Final completion certificates were also not issued for each stretch. Thus the investors failed to achieve the scheduled completion dates of the project and the delays were calculated up to the dates of the final completion certificates of the project.

**Liquidated damages amounting to Rs 16.52 crore on account of delays were not recovered from investors.**

Further, if the investors failed to achieve the scheduled completion dates, or extended dates, they would be liable to pay liquidated damages for the delays at Rs 20,000 per day. The projects shown in **Table no.1.19** were delayed by 295 to 1,860 days (excluding the extension of time sanctioned for 899 days). Accordingly, liquidated damages of Rs 20.11 crore were recoverable from the investors. However, only Rs 3.59 crore was recovered, which resulted in short recovery of Rs 16.52 crore as shown in **Appendix 1.11**.

On this being pointed out in audit, the CE, MPRDC stated (November 2009) that liquidated damages were charged till the date of issue of the provisional completion certificates. The reply is not acceptable because provisional completion certificates were issued for individual stretches and not for the whole project. The completion certificate for each stretch was also not issued

<sup>68</sup> *Hoshangabad-Harda-Khandwa Road, Hoshangabad-Pipariya-Pachmarhi Road, Raisen-Rahatgarh Road and Seoni-Balaghat-Gondia Road.*

and the final completion certificates of the projects were issued with the delay of 295 to 1860 days.

### ***1.2.11.2 Breach of agreement***

**Investor collected estimated toll of Rs 8.49 crore against a work of Rs 2.20 crore.**

Initial works valued at Rs 1.92 crore of the Dhar-Gujri Road (km 92/6 to km 140/4) under BOT, scheduled to be completed by 13 February 2002, were actually completed on 8 July 2006, involving a delay of 1,594 days. The notification for toll collection was issued (8 August 2006) by the Government and the investor began the toll collection. At the request of the investor, the DRC revised (March 2007) the design and the estimate of remaining works from Rs 7.44 crore to Rs 20.29 crore. The investor failed to take up the specified works of the first and second year after toll authorisation as per the scope of work mentioned in the agreement upto March 2007 and thereafter, as per the revised design and continued to collect the toll without executing the remaining work. The Collector, Dhar reported (May 2007) the matter to the Government for taking action as per the agreement, stopping the toll collection and getting back the excess toll collected. The CE also reported (March 2009) the matter to the E-in-C, PWD. No action was, however, taken till August 2009. The investor completed works valuing Rs 2.20 crore only against the targeted work of Rs 6.01 crore but collected (upto August 2009) an estimated toll of Rs 8.49 crore. Thus failure to take penal action for breach of agreement resulted in loss of Rs 6.29 crore to the public.

On this being pointed out in audit, the EE, PWD, Dhar stated (September 2009) that a proposal for termination of toll collection had been sent (March 2009) to the DRC, but a decision was awaited. The reply is not acceptable because the investor committed a breach of agreement and the proposal for termination of contract was submitted as late as March 2009.

### ***1.2.11.3 Collection of toll on incomplete roads***

**Investor collected toll of Rs 8.24 crore without completing the balance work.**

Katni bypass under BOT on NH-7 was provisionally completed on 19 December 2007 with certain items of work like wire fencing, rectification of slopes, pitching and toe walls, aprons at slab culverts, guard stones and flood marks etc. still remaining incomplete. Toll collection was, however, authorised on 22 February 2008. As per the agreement, these items of work were required to be completed within 120 days and a final completion certificate was to be issued by the independent engineer with a copy to GOI and the State Government. It was seen in audit that as against the required date of completion (17 April 2008) the final completion certificate was issued as late as on 1 April 2009. The PWD observed (June 2009) that the pending items of fencing, plantation of 4,000 trees and 20 *per cent* boulder pitching were still to be completed. Thus the investor irregularly collected (2008-09) an estimated toll of Rs 8.24 crore on an incomplete road during its first year. As per clause 9.3 of the agreement, if the investor failed to execute the remaining works within 120 days, GOI was to get the items completed at the risk and cost of the investor. No such action was taken even after the SE, PWD reported (August 2008) the matter to the CE PWD NH Bhopal.

On this being pointed out (September 2009), the EE did not offer any specific comment.

**Toll collection of Rs 1.72 crore was allowed on incomplete work.**

- As per the DPR, a part of the 34 km Hoshangabad-Harda-Khandwa Road, taken up (May 2002) under bond BOT, was submerged (August 2004) under the Indira Sagar Project. It was, therefore, decided that this part of the road would be strengthened by the investor till submergence and thereafter, a bypass of similar length would be constructed by the Narmada Valley Development Authority (NVDA) up to the water bound macadam (WBM) level. Subsequently, it was to be converted into a bituminous road by the investor so that the bypass could be used by the public as an alternative to the submerged portion of the road. The WBM road was completed (March 2006) by NVDA after 18 months of submergence and bituminous work was completed by the investor in July 2006. Though there was only a WBM road between September 2004 and June 2006, which was not safe for commercial operation, toll of Rs 1.72 crore was collected by the investor during this period.

Admitting the fact, the Government stated (November 2008) that NVDA had failed to complete the WBM road in time and the investor could not be penalised for it. The reply is not acceptable because as per the concession agreement, only black top roads were considered as legally safe for commercial operations.

#### **1.2.11.4 Change of item of work**

**Investor got an unwarranted benefit of Rs 6.91 crore.**

According to the scope of work on Indore-Edelabad Road under bond BOT, the bituminous course was to be done by providing 130 mm thick Dense Bituminous Macadam (DBM), subject to crust design as per MORT&H specifications and approval by MPRDC. Scrutiny in audit revealed that the investor did not submit the crust design for approval of MPRDC. As per MORT&H specifications, the thickness of DBM should have been 140 mm. During the execution, the work was partly done by DBM and partly by providing a cheaper mix of Bituminous Macadam (BM) (80286.508 cu.m). Thus MORT&H specifications were not followed by the investor and resultantly gave unwarranted benefit of Rs 6.38 crore<sup>69</sup>.

According to the scope of work of the Hoshangabad-Harda-Khandwa Road under bond BOT, the investor had to provide Wet Mix Macadam (WMM) as the base course. The CE, MPRDC, however, permitted (February 2003) the investor to replace WMM with a cheaper mix of Water Bound Macadam (WBM) subject to recovery of a cost difference of Rs 53.02 lakh<sup>70</sup> from the payment of subsidy, but no such recovery had been made till date.

On these being pointed out in audit, the CE, MPRDC stated (November 2009) that the design risks lay with the investor and failure in design was also

<sup>69</sup> 80286.508 cu.m. @ rate difference of Rs (2695-1900)= Rs 6.38 crore.

<sup>70</sup> 147287.781 cu.m @ rate difference of Rs (450- 414)= Rs 53.02 lakh.

attributable to the investor. The reply is not acceptable as any change in design was required to be approved by MPRDC. The changes of DBM to BM and WMM to WBM would ultimately reduce the total project cost and would be beneficial to the investors.

**1.2.11.5 Execution of below specification works**

As per the standard agreement for BOT works, investors were required to maintain the quality of work during the construction and operation period as per MORT&H specifications. It was observed in audit that these specifications were not followed by the investors during the construction and operation period.

**Improper use of material and compaction of crust of Rs 1.10 crore.**

The Satna bypass was completed (February 2002) under BOT. However, within 10 months of completion, the CE, PWD, Rewa observed (December 2002) that out of 44450 sqm. of the road, 10500 sqm worth Rs 1.10 crore was badly damaged with deep patches. The failure of the crust was due to non-compaction of earth work, use of improper material and laying of bituminous material without cleaning. Thus work amounting to Rs 1.10 crore on this stretch was substandard.

On this being pointed out by Audit, the EE stated (August 2009) that the investor had repaired the damages which were not recorded on the measurement book. The reply was not viable because dismantling and re-execution of the work was not supported by entries in the MB.

**Work of Bituminous Macadam worth Rs 11.62 crore was not done as per specifications.**

As per the agreement for the Sagar-Damoh-Jabalpur Road under bond BOT, the investor had executed 17910.30 cu.m Bituminous Macadam (BM) upto March 2006. The BM was neither covered with the next pavement course of Dense Bituminous Macadam (DBM) nor wearing course of Bituminous Concrete (BC) within 48 hours as required as per clause 504.5 of MORT&H specification. Thus the work of BM amounting to Rs 11.62 crore executed as of March 2006 was below specification and was likely to get damaged prematurely due to rains.

On this being pointed out in audit, the Government stated that the investor could not complete the work because of which, the agreement had been terminated. The fact remained that the work of BM was not done as per specifications.

**Road work worth Rs 4.31 crore was substandard.**

The Government directed (March 2004), the CEs of the respective zones to ensure inspection of quantity and quality of bond BOT roads and submit reports to the Government, E-in-C and MPRDC. Scrutiny of a report submitted to the CE by the SE, PWD, Ujjain for the Dewas-Ujjain-Badnagar Road under bond BOT revealed that with regard to the work of the sub-grade, the investor had used 20 *per cent* boulders of particle size of 75mm instead of selected soil. Hence, 40 to 60 *per cent* of the material used in the sub-base was oversize. The camber<sup>71</sup> (percentage of slope between the centre line and edges of the road crust) in BM provided was 0.60 to 4.6 *per cent* against the

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<sup>71</sup> *Cross slope of the road from the centre line.*

requirement of 2.50 *per cent* as per MORT&H specifications. Thus the work of sub-grade and BM amounting to Rs 4.31 crore was substandard.

On this being pointed out by Audit, the Government stated (November 2008) that the defects had been rectified and after confirmation through various tests, a completion certificate had been issued. The reply is not acceptable because no such rectification was shown in the measurement books.

**Rupees 1.02 crore was spent on repairs due to substandard work.**

The EE, PWD, Dhar awarded (January 2007) the work of black top (BT) patch repairs of the Ratlam-Levad-Jaora Road under BOT to two different contractors. As per the agreements, the contractors, after repairing the patches with Built Up Spray Grout (BUSG), had to cover them with Open Graded Premix Carpet (OGPC) and seal coat. However, the BUSG done after incurring an expenditure of Rs 1.02 crore had not been covered with OGPC and seal coat as per MORT&H specifications. Therefore, the work of BUSG was damaged due to rains and had to be repaired (November 2007) by the Government at a cost of Rs 61.66 lakh. Thus the execution of BUSG worth Rs 1.02 crore was substandard.

Admitting the facts, the E-in-C, PWD stated (November 2008) that sealing of patches was not done due to shortage of funds. The reply is not acceptable because the work was to be done as per specifications within the available funds.

## 1.2.12 Monitoring

### 1.2.12.1 Measurement of works

**Maintenance work of Rs 17.19 crore was not measured.**

As per clause 11 of the special conditions of contract, the actual work done on a road was to be measured, recorded in a certified measurement book and checked by departmental officers. The investors were also responsible for plantations along the roadside as well as its maintenance. In respect of six BOT roads of PWD, it was observed that works amounting to Rs 17.19 crore, which included road renewal of Rs 3.21 crore (Dewas bypass: Rs 1.60 crore and Indore-Ujjain Road: Rs 1.61 crore), road maintenance of Rs 8.62 crore (Dewas bypass: Rs 2.95 crore, Dhar-Gujri Road: Rs 1.23 crore, Ratlam-Jaora Road: Rs 0.93 crore, Indore-Ujjain Road: Rs 2.71 crore, Satna bypass: Rs 0.41 crore and Katni bypass: Rs 0.39 crore) and plantation of Rs 5.36 crore (Dewas bypass: Rs 1.07 crore, Dhar-Gujri Road: Rs 3.59 crore, Satna bypass: Rs 0.37 crore and Katni bypass: Rs 0.33 crore) were not measured.

On this being pointed out in audit, the EE PWD Ratlam stated (April 2009) that evaluation of the works was not essential as per the agreement. The EE PWD Satna stated that the measurement of maintenance was not required. The reply is not acceptable because as per the agreements, the works done by the investors were to be measured and entered in MBs which was not done.

### **1.2.13 Operation and Maintenance**

**1.2.13.1** As per MORT&H specifications and Government policy, the BT portions of the road had to be renewed in every five years. During the operation periods, the investors were required to maintain the roads regularly and periodically. It was observed that the investors had not done the work of road renewal in time and had got unwarranted benefits.

**The investor was avoiding the liability of road renewal worth Rs 80 lakh.**

Katni bypass under BOT, completed in December 2001, had to be renewed every fifth year with Bituminous Concrete (BC). Accordingly, the agreement provided for renewal of the road twice (2006-07 and 2011-2012) at a cost of Rs 1.35 crore. The investor had done the first renewal in March 2009. The delayed first renewal shifted the next renewal liability to the year 2014-2015 i.e. after the end of the concession period (2013-2014) and not only spared the investor from the second renewal but also favoured him with a benefit of Rs 80 lakh.<sup>72</sup>

On this being pointed out in audit, the EE stated (June 2009) that a proposal for penalty for delayed renewals was under consideration of the DRC. The fact remained that due to late renewal of the BT portion of the road, the investor was saved the responsibility of the second renewal.

**An investor failed to submit a maintenance manual though liability of Rs 3.09 crore had been occurred.**

The Rewa bypass under BOT on NH-7 was completed in August 2007. The investor had to submit (May 2007) a road maintenance manual before completion of the project and a renewal programme 45 days before the commencement of each financial year. Though the PWD was responsible for operation and maintenance of the bypass, the investor failed to submit any maintenance manual or a renewal programme to PWD as of July 2009 when the liability of renewal of Rs 3.09 crore had already occurred as per the agreement.

On this being pointed out in audit, the EE stated (July 2009) that the investor had not submitted the maintenance manual and renewal programme. The investor had submitted the manual to MORT&H, New Delhi. The reply is not acceptable as the PWD (NH) was responsible for supervision and maintenance of the bypass and should have issued completion certificate after obtaining the required maintenance manual.

**1.2.13.2** As per clause 18.2 of the concession agreement for bond BOT works, the investor, in consultation with the Supervision Quality Consultant (SQC), was to prepare and finalise the repair and maintenance manual for regular and periodical maintenance. For periodical maintenance, though the investors in their bids had considered the cost of BT renewal in five years in the total project cost as per MORT&H specifications and Government policy, no such provisions were made for BT renewal in the maintenance manual submitted by the investor.

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<sup>72</sup> *Included for 2011-12 in bid evaluation.*



**Maintenance and renewal work of Rs 68 crore were not ensured.**

Scrutiny in audit revealed that five out of 10 roads<sup>73</sup> having a length of 742.40 kms, provisionally completed between 2002 and 2004, were due for renewal in 2007 and 2009, involving a total cost of Rs 67.21 crore, on the basis of 30 mm thick Bituminous Concrete (BC) required for renewal at the rate of Rs 4,311 per cu.m. However, no renewal was actually done and measured. MPRDC, during June 2008 to July 2009, adopted different criteria for road renewal and directed the field units to submit the renewal programme, where the roughness index of the road surface exceeding 3500 mm per km was considered for renewal. Scrutiny revealed that according to test reports, the roughness index on 262 km length of eight roads<sup>74</sup> ranged from 3,515 mm to 7521 mm per km. Thus, as against the bid provisions of Rs 67.21 crore, the cost of renewal on the basis of roughness index was reduced to Rs 23.72 crore in the above cases, which ultimately reduced the tender project cost and extended an unwarranted benefit of Rs 43.49 crore to the investors. The renewal work actually done was also not monitored through measurements in the measurement books.

Further, the investors were required to incur Rs 44.28 crore as per the norms of Rs 45,000 per km. per year and five *per cent* price variation every year, as adopted by MPRDC, on routine maintenance of roads but no measurement records were maintained to indicate that maintenance work had actually been done by the investor.

On this being pointed out in audit, the CE, MPRDC stated that the sole criteria for maintenance of roads was the roughness index of 3500 mm per km. No minimum time for renewal was provided in the agreement. Therefore, whenever roughness changed, investors were asked to renew the roads. The reply is not acceptable because as per clause 18.2 of the agreement, the investors had to prepare maintenance manuals including the provisions for periodical renewals which were not done. No record was also maintained for renewal works actually done.

#### **1.2.14 Valuation of Assets**

As per clause 19 of the special conditions of contract, after expiry of the concession period, the facilities in sound condition, would stand transferred to the Government without any payment or other costs payable to the investors. Consequently, all rights of the investors on the assets created would stand extinguished thereafter and stand transferred to the department. It was seen in

<sup>73</sup> *Indore-Edelabad, Ujjain- Jhalawad, Rewa-Amarkantak, Satna-Maihar-Umariya and Hoshangabad-Harda-Khandwa.*

<sup>74</sup> *Hoshangabad-Harda-Khandwa Road, Hoshangabad-Pipariya-Pachmarhi Road, Jabalpur-Narsinghpur-Pipariya Road, Indore-Edelavad Road, Raisen-Rahatgarh Road, Rewa-Shahdol-Amarkantak Road, Satna-Maiher-Umariya Road and Ujjain-Jhalawad Road.*

audit that the concession periods of three roads<sup>75</sup> and two bridges<sup>76</sup> of BOT were over and the assets had been transferred to the department. In all the remaining cases, the concession period continued and in two cases, the investor failed to transfer the assets in sound condition.

**Premature renewal of roads led to extra cost of Rs 6.17 crore.**

As per the concession agreement under BOT, the investors had to maintain the roads during the operational periods as per MORT&H specifications. The investors accordingly included the cost of periodical renewal of BT surface in five years and routine maintenance every year. The Indore-Ujjain Road, having a length of 58 km, was taken up (December 1999) under BOT. According to the agreement, the investor was required to attend to renewal work of 20 *per cent* of the road length every year. Road length of 43.30 km was renewed from June 2003 to June 2007 under BOT. After the end of the concession period (August 2007), the same road was again taken up (February 2008) for renewal and heavy patch repair with State funds under the State Road Improvement Plan (SRIP). Thus the same length of 43.30 km of road was prematurely renewed within a period of one to three years against the renewal cycle of five years as per the manual of Road Maintenance by incurring an additional expenditure of Rs 6.17 crore<sup>77</sup>, indicating that renewal under BOT by the investor was not up to the mark.

Admitting the facts, the E-in-C, PWD stated (November 2008) that due to inadequate crust and negligence on the part of investor, the entire road was in a bad condition, with potholes. An enquiry was conducted by the SE. Recovery of Rs 2.35 crore was imposed on the investor and being an important road, the work was renewed under SRIP. Thus premature renewal of the road against the norms resulted in a loss of Rs 6.17 crore to the Government. However, no recovery had been made as of March 2009.

**Insufficient provisions for Black Top renewal led to extra cost of Rs 5.82 crore.**

Contrary to MORT&H specifications, provision for BT renewal of the Ratlam-Jaora-Levad road of 125.40 km length, taken up (2002-03) under BOT, was made only for 15 *per cent* of the road length every year instead of 20 *per cent* of the road length. Thus against the requirement of 100.32 km of road length to be renewed in four years (2003-2006) provision was made for only 60.91 km and as against it, actual renewal was done in 46.00 km only. The concession period was over (12 November 2006), and the road was transferred to the Government in November 2006. As a result of delay in renewal, the crust of the road was badly damaged, resulting in huge potholes and consequent traffic jams. Due to agitation by the media and public, Government spent (2006-07) Rs 5.82<sup>78</sup> crore on heavy patch repairs to make the road motorable.

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<sup>75</sup> *Burhanpur-Khandorh road 07 September 2007, Indore- Ujjain road 18 August 2007 and Ratlam- Jaora –Levad Road 13 November 2006.*

<sup>76</sup> *Bridge on Balaghat-Seoni road 16 September 2008 and bridge on KM 135/8 of Chhindwara Nagpur Road- 06 November 2006.*

<sup>77</sup> *Indore Rs 4.39 crore and Ujjain Rs 1.78 crore = Rs 6.17 crore.*

<sup>78</sup> *PWD Dhar Rs 2.55 crore and PWD Ratlam Rs 3.27 crore = Rs 5.82 crore.*

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On this being pointed out in audit, the EE stated (August 2009), that patch repairs on State highways were a continuous item of work, to allow free flow of traffic. The reply is not acceptable because the work of special repairs was done due to stoppage of work by the investor and public agitation.

### **1.2.15 Monitoring**

In PWD, the implementation of projects has to be monitored by the E-in-C and the CEs of the various zones for achieving targets and providing quality benefits. Audit, however observed that in the case of BOT projects, the progress of work was not monitored and quality of work done was not maintained. The investors got excess benefit due to sanction of extra toll days and improper bid evaluations, resulting in corresponding losses to the public. The quantity of work of road maintenance was also not evaluated. This resulted in poor progress of work in operations and maintenance during the concession period.

The CEs of PWD and MPRDC, were responsible for monitoring the scheme for timely and effective implementation and quality assurance of the works. However, the audit findings depicted a picture of failure of monitoring control, sluggish progress and poor quality control during construction as well as the operational period of the projects. The investors got extra benefits due to improper bid evaluation, toll authorisation on unsafe roads, toll authorisation on stretches instead of the complete project and change of specifications of works. Thus the extra burden was knowingly passed on to the public by the PWD and MPRDC.

### **1.2.16 Conclusion**

The department did not prescribe any guidelines for selection of the roads to be taken up under BOT and bond BOT. Despite availability of sufficient funds, the projects under bond BOT were abnormally delayed. There was no uniform procedure for bid evaluation and as a consequence, the investors took advantage of the flexible agreements. The agreements did not contain provisions for dealing with any breach of contract or deviation from the prescribed conditions including penalty at the division level, which resulted in profits to the investors and extra burden of toll tax on the general public. Undue benefits were given to the investors on account of granting of additional days for collecting toll tax, revision in scope of work, delays in renewal, defective designs and delays in handing over sites. Works were not carried out as per specifications and quality control measures were not adequate. No regular monitoring was done at the department/ division level during construction/upgradation and maintenance of roads. Though large amounts were involved for maintenance during operations, there were no recorded measurements to evaluate the work actually done. Due to ineffective contract management and monitoring of schemes, department failed to provide safe and economic road travel to users and imposed a huge burden of toll tax to the public.

### **1.2.17 Recommendations**

- Government should issue specific instructions regarding selection of roads under BOT.
- Projected toll collections should be linked to the project cost as per the agreement. The Government should formulate a policy for bid evaluation and ensure that work is executed as per the agreement.
- Contract management needs legal and technical strengthening. Adequate and effective provisions should be included in the concession agreement to safeguard Government interest.
- Progress of maintenance should be reviewed and monitored regularly by the concerned divisions during the concession periods.
- Total project costs as committed by the investors should be regularly reviewed with respect to the actual works done, to safeguard the quantity and quality of the works.

## Revenue Department

### 1.3 Calamity Relief Fund

#### 1.3.1 Introduction

Government of India (GOI), Ministry of Finance, launched a scheme for constitution and administration of a Calamity Relief Fund (CRF) with effect from April 1990 for five years, which was further extended up to 2009-2010 for providing immediate relief to victims of natural calamities e.g. cyclones, droughts, earthquakes, fires, floods, hailstorms, cloudbursts, pest attacks etc. GOI was to contribute 75 per cent of the total annual allocation of CRF in the form of Non-Plan grants and the balance 25 per cent was to be contributed by the concerned State Governments. State Level Committees (SLC), headed by Chief Secretaries of the States were to be responsible for the management of the CRF. The Revenue Departments of the States were to act as the nodal agencies for implementation of the relief works under the scheme.

Records of the Relief Commissioner who is also the Principal Secretary, Revenue Department, District Collectorates and line departments<sup>79</sup> in 12<sup>80</sup> out of 50 districts were test-checked by Audit during March 2008 to October 2009. The deficiencies noticed in management of CRF by the State Government are mentioned in the succeeding paragraphs.

#### 1.3.2 Financial Management

The details of contributions to CRF and the expenditure incurred during 2004-09 are given below:

**Table No. 1.20 : Details of receipt and expenditure under CRF**

Year	Opening balance	Share to CRF <sup>1</sup>		Total fund available	Expenditure <sup>2</sup>	Closing Balance
		Central	State			
2004-05	344.88 <sup>2</sup>	57.10	19.03	421.01	100.80	320.21
2005-06	320.21	190.67	63.56	574.44	166.37	408.07
2006-07	408.07	277.52 <sup>3</sup>	65.39	750.98	222.43	528.55
2007-08	528.55	151.48	67.32	747.35	419.88	327.47
2008-09	327.47	208.04	69.35	604.86	587.08	17.78

**Source** – 1 Records from Relief Commissioner's office.  
 2 Appropriation Account.  
 3 Rs 196.18 crore of Central share + Rs 50.49 crore advance release of first instalment of GOI share for the year 2007-08 + Rs 30.85 crore received from GOI out of National Calamity Contingency Fund (NCCF).

<sup>79</sup> Executive Engineers (EEs)- Public Works Department, Rural Engineering Services, Water Resources Department; Chief Executive Officers (CEOs)- Zila Panchayat (ZP), Janpad Panchayat (JP); Commissioner-Nagar Nigam and Chief Municipal Officers (CMOs)- Nagar Palika and Nagar Panchayat.

<sup>80</sup> Balaghat, Barwani, Chhindwara, Dhar, Gwalior, Katni, Khargone, Panna, Sagar, Seoni, Sidhi and Ujjain.

### **1.3.2.1 Unutilised funds of Rs 4.23 crore available with implementing agencies**

**Funds amounting to Rs 1.80 crore released for relief works, were lying unutilised with implementing agencies.**

District Collectors, Chhindwara, Panna, Sagar, Seoni and Sidhi released Rs 21.76 crore for relief works to implementing agencies during 2004-09 for victims of drought and for transportation of drinking water in rural and urban areas. The implementing agencies utilised Rs 19.22 crore and deposited Rs 73.54 lakh in treasury through challans. The remaining amount of Rs 1.80<sup>81</sup> crore was not utilised and was available with the implementing agencies. The said amount was to be recovered from implementing agencies and credited to the CRF. Similarly, Rs 13.04 crore was released (2006-09) to the Municipal Corporation, Bhopal for repairs of infrastructure damaged due to heavy rainfall in August 2006 and restoration of water supply. The Municipal Corporation could utilise only Rs 10.61 crore as of May 2009 and balance amount of Rs 2.43 crore which was to be refunded to CRF was available with Municipal Corporation as of August 2009. The Collectors stated (August to October 2009) that the balance amounts would be remitted shortly to the Government.

### **1.3.2.2 Parking of funds in bank accounts**

**Collectors drew Rs 1.76 crore (2004-09) for various relief works and deposited the same in bank accounts.**

According to para 38 of the Standing Instructions regarding implementation of relief works, issued by the Relief Commissioner, drawal of money in anticipation of requirements and depositing in bank was prohibited.

Scrutiny of records of the District Collectors, Balaghat, Chhindwara, Katni, Panna and Sidhi revealed that Rs 1.76<sup>82</sup> crore meant for various relief works under the scheme were deposited (2004-09) in banks by Collectors. On this being pointed out by Audit, the Collectors stated (August to October 2009) that the funds would be remitted into the Government account.

### **1.3.2.3 Diversion of Central funds into State revenue**

**Irregular transfer of Central funds of Rs 4.31 crore to State revenue.**

As stated earlier, CRF was created with shares of the Central Government and the State Government in the ratio of 75 and 25 *per cent* respectively. Para 12 of the guidelines for constitution and administration of CRF provides that unspent balances available at the end of the financial year should be the opening balance for the next financial year. During test check of the records of Collectors of 12 districts, it was found that unspent funds of Rs 5.74<sup>83</sup> crore

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<sup>81</sup> Chhindwara : Rs 32.94 lakh , Panna : Rs 92.36 lakh, Sagar : Rs 46.82 lakh, Seoni : Rs 2 lakh and Sidhi Rs 6.30 lakh.

<sup>82</sup> Balaghat : Rs 41.80 lakh ,Chhindwara : Rs 17.12 lakh , Katni : Rs 42.62 lakh, Panna : Rs 58.52 lakh and Sidhi Rs 16.32 lakh.

<sup>83</sup> Balaghat : Rs 38.79 lakh (Major Head – 0070 and 6245), Chhindwara : Rs 3.15 lakh (Major Head- 0070), Dhar : Rs 3.89 lakh(Major Head-0070), Katni : Rs 1.19 lakh (Major Head-0070), Khargone : Rs 135.92 lakh (Major Head-0070), Panna : Rs 25.65 lakh (Major Head-0070 and 0250), Sagar : Rs 334.00 lakh ( Major Head-0070 and 6245), Seoni : Rs 19.99 lakh ( Major Head – 0070 and 0250) and Ujjain : Rs 11.85 lakh(Major Head- 0058).

(Central share: Rs 4.31 crore and State share: Rs 1.43 crore) in nine districts were credited to State revenues by various agencies. When the matter was brought to his notice, the Relief Commissioner stated (December 2009) that the matter was under consideration of the Finance Department and instructions would be issued accordingly.

### 1.3.3 Payment of cash assistance to victims

#### 1.3.3.1 Irregular payment of assistance on the basis of hypothetical loss of crops

Irregular payment of Rs 15.21 crore was made on hypothetical loss of *Kharif* crop for the year 2007.

There was no provision in the Revenue Book Circular 6-4 (RBC 6-4)<sup>84</sup> for payment of grant assistance for the loss of crops due to drought. The Revenue Department amended RBC 6-4 in December 2007 to include a provision for payment of grant assistance for crop losses due to drought. The amendment was also made retrospectively for the *Kharif* crop of 2007. The Relief Commissioner issued (March 2008) instructions that a committee of seven members in each village consisting of the *Sarpanch/Up-Sarpanch*, two *Panchs*, two respectable persons of the village, the *Patwari* and the Rural Agriculture Extension Officer may be formed to prepare a *panchnama*<sup>85</sup> and on this basis, the Revenue Officer would decide the claims for assistance after inspecting the sites.

Scrutiny of records of the Collectors, Balaghat and Panna, revealed that inspection of *kharif* crop of 2007 was not done during drought and payment of Rs 15.21<sup>86</sup> crore as grant assistance was made (March to July 2008) to farmers for loss of *Kharif* crops of 2007 on the basis of *panchnamas*. Thus the payment of relief of Rs 15.21 crore was on the basis of hypothetical loss of crop as by that time (March 2008) the *Kharif* crop was already harvested and *Rabi* crops were ready to be harvested.

When the matter was brought to the notice, the Relief Commissioner stated (December 2009) that no other alternative except *panchnamas* was available with the department for providing assistance to the farmers. The reply was not acceptable as payment of relief under CRF without site inspection was in contravention of CRF guidelines.

#### 1.3.3.2 Excess payment for crop loss due to wrong assessment

According to instructions of RBC 6-4, issued by the Relief Commissioner, the quantum of relief for crop loss was to be assessed on the basis of the areas sown and affected. Financial assistance was to be provided on the basis of actual crop loss.

<sup>84</sup> RBC 6-4 : Revenue Book Circular 6-4, issued by the Revenue Department for payment of grant assistance to victims of crop loss.

<sup>85</sup> A document prepared by a group of persons explaining factual position.

<sup>86</sup> Balaghat : Rs 1.93 crore, Panna : Rs 13.28 crore.

Scrutiny of records of districts Chhindwara and Ujjain, revealed that Rs 7.17<sup>87</sup> lakh was paid in excess during 2004-08 by *Tehsildars* for crop losses which were determined on the basis of sown/hold<sup>88</sup> areas instead of areas affected and actual crop loss. The Relief Commissioner stated (December 2009) that the cases pointed out by Audit would be investigated and action would be taken against the defaulting officials.

### ***1.3.3.3 Payment to unaffected landowners***

As per a provision mentioned in para 11 of RBC 6-4, in cases of widespread insect attacks on crops and cases where the percentage of loss of crops was 50 *per cent* and above, special assistance was to be provided to the victims in consultation with Agriculture Department. Assistance was to be given only after prior joint survey of crop losses by the Revenue and Agriculture Departments.

**Irregular payment of assistance of Rs 56.13 lakh to unaffected landowners in Dhar district.**

Scrutiny of crop loss related records in District Dhar revealed that joint teams for survey of crop losses in the district were not constituted by the Collector. According to a report sent (September 2007) by the Agriculture Department to the Collector, above 50 *per cent* crop loss was reported for 366 hectares only in one village. According to the report, Rs 9.15 lakh was payable as special grant assistance to the victims for crop losses of 366 hectares of Nalchha block of the district but Rs 65.28 lakh was disbursed for crop losses of 7102 hectares in the district, resulting in irregular payment of special grant assistance of Rs 56.13 lakh. The Relief Commissioner stated (December 2009) that the cases pointed out by Audit would be investigated and action would be taken against responsible officials.

### ***1.3.3.4 Delay in payment to victims***

According to para 6 of RBC 6-4, assistance to victims of natural calamities was to be provided by Revenue officers within 10 to 15 days of the event.

**Payment of relief of Rs 20.73 crore was delayed by one to 36 months.**

Scrutiny of records of *tehsils* of eight<sup>89</sup> out of 12 test-checked districts revealed that payment of assistance of Rs 20.73 crore was made to the victims of natural calamities viz. fire, flood, snake-bite etc. during 2004-09 after delays of one to 36 months as shown in **Appendix 1.12**. The Relief Commissioner stated (December 2009) that instructions had been issued to District Collectors to finalise the cases within the time limit fixed and pay the assistance expeditiously.

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<sup>87</sup> *Tehsil Chaurai (Chhindwara) : Rs 0.78 lakh (2004-05, 2005-06), Tehsil- Ghatia (Ujjain) : Rs 5.42 lakh and Tehsil Nagada (Ujjain) : Rs 0.97 lakh(2007-08).*

<sup>88</sup> *Hold area : The area of land possessed by the farmer.*

<sup>89</sup> *Balaghat, Barwani, Chhindwara, Khargone, Panna, Sagar, Seoni and Sidhi.*

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Delays of one to 22 months in payment of wages of Rs 5.85 crore for relief works carried out during 2004-07 in four<sup>90</sup> districts were also noticed during scrutiny of records of the Relief Commissioner, Bhopal. The Relief Commissioner stated (August 2008) that funds were allotted after getting approval of the State Level Committee. The reply is not acceptable as immediate relief was not provided to the labourers.

### **1.3.4 Notification of drought-affected areas and execution of relief works**

For declaration of drought-affected *tehsils* in the State, para two of the Standing Instructions regarding implementation of relief works envisaged that a report of each *tehsil* showing the position of rainfall, the availability of drinking water and fodder, data of sowing of rabi and *anawari*<sup>91</sup> of *kharif* crops in each *tehsil*, reasons for the drought and an Action Plan should be submitted to the State Government by the District Collector by 15 October every year. According to para 13 of these Standing Instructions, the State Government was to notify the drought-affected areas in the State.

#### ***1.3.4.1 Incorrect declaration of drought-affected tehsils and irregular expenditure on relief works***

As per para 13 of the Standing Instructions, a *tehsil* could be declared as drought-affected if it fulfilled any of the following three norms:- (i) If in a *tehsil* the rainfall as on 30 September is 25 per cent less than the average rainfall of that *tehsil*, (ii) Twenty five per cent or more villages of a *tehsil*, where the *anawari* (yield) of sample *Kharif* crop ranged between 0 to 37 per cent (0 to 50 per cent from November 2007) and (iii) Twenty five per cent or more villages of a *tehsil* where sowing was 30 per cent less in comparison to average *Rabi* crop.

It was observed that Sausar *tehsil* of Chhindwara district and Thikari *tehsil* of Barwani district were declared as drought-affected by the State Government for the year 2007-08 though they did not fulfill any of these norms. However, 11 construction works costing Rs 71.60 lakh were sanctioned by the Collectors from CRF against which Rs 68.42 lakh was incurred. The expenditure was thus irregular.

Collector, Chhindwara confirmed (August 2009) that Sausar *tehsil* was not affected by drought. Collector, Barwani stated (May 2009) that data was sent to the Government from time to time and areas were declared as drought-affected by the Government. The Relief Commissioner stated (December 2009) that the *tehsils* were declared drought-affected by the State Government and the relief works undertaken were as per rules. The reply is not acceptable

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<sup>90</sup> Katni: Rs 164.24 lakh (Delay -one month), Rajgarh : Rs 218.17 lakh (Delay- one month), Shajapur: Rs 14.94 lakh (Delay -22 months) and Sheopur: Rs 187.95 lakh (Delay- eight months).

<sup>91</sup> *Anawari* : yield or estimate of crop production.

as these *tehsils* were declared as drought-affected on the basis of visual assessment of crop loss due to drought which was not in accordance with the Standing Instructions of the Relief Commissioner.

**1.3.4.2 Execution of relief works in tehsils not declared as drought-affected**

Scrutiny of records revealed that 13 *tehsils* of four districts were not declared as drought-affected by the State Government but 114 construction works costing Rs 5.29 crore were sanctioned by the Collectors and expenditure of Rs 4.73 crore was incurred in these *tehsils* as shown in **Table 1.21**.

**Table No. 1.21 : Details of relief works executed in areas not declared as drought-affected**

**Expenditure of Rs 4.73 crore was incurred on relief works in areas not declared as drought-affected.**

(Rupees in lakh)

Name of district/year	Name of <i>tehsil</i>	No. of works sanctioned	Cost of work	Amount released			Expenditure
				Cash	Cost of foodgrain	Total	
Chhindwara 2004-05	Chhindwara	05	15.27	9.20	5.44	14.64	14.64
	Amarwada	11	30.59	12.52	14.29	26.81	26.81
	Harrai	05	10.71	2.93	6.02	8.95	08.95
	Bicchua	05	12.48	1.46	3.89	5.35	05.35
Gwalior 2004-05	Ghatigaon	41	240.30	91.08	149.22	240.30	233.36
Sidhi 2004-05	Chitrangi	07	40.67	25.93	2.57	28.50	28.44
	Devsar	11	49.46	37.84	7.35	45.19	48.65
	Majhauri	06	23.31	18.99	2.70	21.69	21.68
	Rampur Naikin	03	13.04	10.64	0.00	10.64	8.83
	Sidhi	04	20.91	17.09	2.93	20.02	20.02
	Sinhawal	03	7.82	7.16	0.00	7.16	7.64
	Baidhan,	04	23.59	16.31	3.79	20.10	19.32
Seoni 2004-05	Seoni	09	40.72	29.78	0.00	29.78	29.78
<b>Total</b>		<b>114</b>	<b>528.87</b>	<b>280.93</b>	<b>198.20</b>	<b>479.13</b>	<b>473.47</b>

(Source- Records of District Collectors and implementing agencies.)

The sanction of relief works by Collectors in areas not declared as drought-affected by the State Government and expenditure of Rs 4.73 crore incurred thereon was irregular.

The Relief Commissioner admitted (January 2009) that Ghatigaon *tehsil* was not affected on the basis of *Kharif* crops *Anawari*. The Collectors, Sidhi and Seoni stated (August and October 2009) that relief works were executed due to demands of public representatives and with a view to providing employment to the labourers. The reply is not acceptable because relief works should not have been sanctioned in *tehsils* not declared as drought-affected by the State Government.

**1.3.4.3 Expenditure on works in excess of administrative approval**

**Expenditure of Rs 13.59 lakh was incurred in excess of the administrative sanction.**

According to para 32 of the Standing Instructions of the Relief Commissioner, expenditure on construction works was not to be incurred in excess of administrative/ technical sanction for relief works and the executing department was responsible for excess expenditure, if any. Scrutiny of the records of Collector, Panna revealed that in 20 construction works executed (2005-06) by the Public Works Department, expenditure of Rs 13.59 lakh was incurred in excess of the administrative sanction. On being pointed out by Audit, the Executive Engineer, PWD, Panna stated that revised estimates were

sent (June 2009) to the Collector for sanction but approvals were awaited (August 2009).

The reply is not acceptable because expenditure by the Executive Engineer in excess of administrative approval was contrary to the Standing Instructions.

#### **1.3.4.4 Excess expenditure on materials on relief works**

According to para 25 of the Standing Instructions of the Relief Commissioner, the main objective of relief works was to create assets and generate labour-oriented employment in drought-affected areas. Accordingly, relief works sanctioned were required to have a labour component of 75 per cent and a material component of not more than 25 per cent.

**Expenditure of Rs 43.61 lakh was incurred on account of materials beyond the norms of 25 per cent.**

During scrutiny of records of relief works of the *Tehsildars* of Ghatia and Nagda in Ujjain; CEO, JP Bina, Sagar and EE, Bainganga, Balaghat, it was observed that the Collectors of Ujjain, Sagar and Balaghat had sanctioned relief works having labour components which were less than 75 per cent of the total cost of the works. Payment of Rs 43.61<sup>92</sup> lakh was made on purchase of materials beyond the norms of 25 per cent. The Collectors, Sagar and Ujjain stated (September and March 2009) that the cases would be investigated and necessary action would be taken. Collector, Balaghat stated (October 2009) that according to approved estimates, the items of works were necessary and executed. The reply of Collector Balaghat was not acceptable as it was contrary to the Standing Instructions of the Relief Commissioner.

### **1.3.5 Fraudulent payment**

#### **1.3.5.1 Payment on relief works through muster rolls**

As per the procedure laid down under the Madhya Pradesh Works Department Manual for payment through muster rolls, a Nominal Muster Roll (NMR) was to be issued for each work before starting of the work and details such as date of issue of NMR, name of work, date of sanction order, sanctioned amount, date of starting of work, etc were required to be filled up in the relevant columns. Progress of work carried out by engaging labourers through the NMR was to be shown regularly in the appropriate column. During scrutiny of records of relief works of *Tehsildars*, Ghatia and Nagda, Ujjain and CEO, JP Segaoon, Khargone, it was observed that payments of Rs 1.64 lakh<sup>93</sup> and Rs 1.46 lakh respectively were made to labourers engaged for five relief works during June 2005. It was also observed that the issue dates of the muster rolls were of a later period than the dates when the works were actually started. Further, it was noticed that payment of Rs 0.29 lakh was made to labourers for digging wells in *tehsil* Ghatia as per two muster rolls on the same date and the same labourers were shown to be engaged in the two different works. Measurement books, technical sanctions and other related records of relief works were not produced to Audit. Thus expenditure incurred on these

<sup>92</sup> Balaghat : Rs 40.11 lakh, Sagar : Rs 1.43 lakh and Ujjain : Rs 2.07 lakh.

<sup>93</sup> Ghatia : Rs 0.32 lakh and Rs 0.75 lakh, Nagda : Rs 0.57 lakh.

works on NMRs was fraudulent. It was stated (March 2009) by the Collector, Ujjain that necessary action was being taken against the concerned officials. Collector, Khargone stated (November 2009) that action was under process against the defaulters.

In five construction works executed by CEO, *Janpad Panchayat* Segaon, Khargone, the following irregularities were also noticed :

- Muster rolls used for the construction works at *Gram Panchayats* Shrikhandi, Jogwara, Dhapkanya and Sharadpura in June and July 2006 revealed doubtful payment of Rs 12.92 lakh as NMRs were not passed for payment and attendance on these NMRs were not certified by any official before making the payments to labourers.
- In 38 muster rolls, the names of the works, period of execution (in four muster rolls) and progress of work done were not mentioned.
- The payments made on the muster rolls were not acknowledged by all labourers as detailed in **Table No. 1.22**.

**Table No.1.22 : Details of non-acknowledgement of payments to labourers**

Sl. No.	Name of work	Muster roll no.	Period for which used	Total no. of labourers	Total expenditure (In rupees)	Number of labourers whose receipts were not available	Amount (In rupees)
1.	Tank Sharadpura	3034	9.7.06 to 14.7.06	36	36170	07	3010
2.	Tank Dhapkanya	3256	25.6.06 to 30.6.06	11	61520	05	27145
3.	Tank Dhapkanya	3257	4.7.06 to 14.7.06	09	50520	04	24120
4.	Tank Dhapkanya	3258 to 4615	12.7.06 to 18.7.06	418	185079	67	27112
					<b>333289</b>		<b>81387</b>

(Source - Records of CEO JP, Segaon.)

- In the NMRs given in the following table, it was seen that there were no signatures or thumb impressions in token of the labourers attendance on the first day though their names are mentioned in the muster roll. Despite their non-attendance, payments were shown as made against their names. Thus payments made to them are doubtful.

**Table No. 1.23 : Details of NMRs on which labourers were not present on first day but shown in NMRs**

Sl. No.	Name of work	Muster roll no.	Period of utilisation	Total amount paid (In rupees)	Total no. of labourers listed in the muster roll	Serial numbers of labourers not present on first day
1.	Shrikhandi Tank	3095 to 3096	13.6.06 to 18.6.06	49624	139	32, 64, 108 to 122 (Total 17 labourers)
		3097 to 3098	20.6.06 to 25.6.06	12270	45	19 to 28, 30 to 33 and 37 to 39 (Total 17 labourers)
2.	Dhapkanya Tank	3221 to 3227	25.6.06 to 30.6.06	102927	325	5 to 7, 9,10,14,15 and 24 to 341 (Total 325 labourers)
		3228 to 3257	1.7.06 to 11.7.06	148769	409	376 to 392 (Total 17 labourers)

(Source- Records of CEO JP, Segaon.)

The Collector, Khargone stated (November 2009) that action was under process against the defaulters. The Relief Commissioner stated (December 2009)

that the cases pointed out by Audit would be investigated and action would be taken against responsible officials.

### **1.3.5.2 Submission of false utilisation certificate**

**False utilisation certificate of Rs 1.13 crore was submitted for subsequent instalment.**

The Relief Commissioner allotted Rs 1.13 crore for drinking water transportation in urban areas of Ujjain district in January 2009 to the Nagar Nigam, Ujjain. The funds were to be utilised only after preparing an Action Plan for drinking water transportation in urban areas of the district. During scrutiny of records, it was observed that funds of Rs 1.13 crore were received on 16 March 2009 but the utilisation certificate (UC) for the allotted amount had already been submitted on 9 March 2009 by showing expenditure on purchase of pumps and cable for fitting on tube wells. On this being pointed out, it was intimated by the Commissioner, Nagar Nigam, Ujjain that the expenditure had been incurred on the said works but vouchers had not been presented. Thus, incorrect UC for items of works done earlier, other than transportation of drinking water was sent to the Government.

### **1.3.6 Monitoring and evaluation**

State Government could not evolve a strategy to ensure that the activities undertaken under relief measures actually led to sufficient generation of wage employment and that funds reached the target groups at the time of need. State Level Committee did not monitor the expenditure incurred on various relief activities. System for evaluation of the relief activities was not found at any level.

### **1.3.7 Conclusion**

Relief works were sanctioned in areas, which were not declared as drought affected. Cases of excess payment of grant assistance were found for loss of crops due to insect attacks. There were inordinate delays over the prescribed limits in payment of assistance and wages. Unspent amounts and fictitious payments through doubtful muster rolls were also noticed.

### **1.3.8 Recommendations**

For effective operation of the scheme and to ensure proper monitoring of CRF, the following recommendations are made:

- Identification of beneficiaries and areas for coverage of relief operation should be done with absolute transparency to achieve credibility in operation.
- An effective machinery and system to monitor provisioning and release of funds should be evolved to ensure timely availability of relief to the affected people.

- Provisions of CRF guidelines, Revenue Book Circular 6-4 and Standing Instructions should be scrupulously observed and the responsibility of persons deviating from the prescribed procedures should be fixed.
- Effective steps should be taken to start relief works immediately after occurrence of calamities.
- Relief works should be executed only in declared calamity-affected areas.

## Panchayat and Rural Development Department

### 1.4 Information Technology Audit of 'Panchlekha' Software of Directorate, Panchayati Raj

#### Highlights

*Panchlekha is a software designed for financial accounting in Panchayati Raj Institutions (PRIs) with the main objective of handling issues related to effective management of funds provided to PRIs by various agencies. A sum of Rs 10.43 crore was spent on procurement of hardware trainings and services of data entry operators. Software was developed by National Informatics Centre (NIC) and purchase of hardware and creation of infrastructure were done by National Informatics Centres Services Inc. (NISCI). Some important findings are given below:*

**Due to technical snags Panchlekha software at various Janpad Panchayats was non-functional.**

*(Paragraph 1.4.5.4)*

**Data related to income and expenditure was not maintained in required proforma. Data was being updated yearly instead of monthly basis.**

*(Paragraph 1.4.5.3)*

**Master directories were not updated at Directorate level due to the absence of central server at Directorate.**

*(Paragraph 1.4.5.6)*

**Absence of definite timeframe hampered implementation of Panchlekha Software in the State.**

*(Paragraph 1.4.5.7)*

#### 1.4.1 Introduction

**1.4.1.1** "Panchlekha" is a software designed for financial accounting in Panchayati Raj Institutions (PRIs) with the main objective of handling issues related to effective management of the funds provided to PRIs by various agencies. Eleventh Finance Commission also recommended ICT (Information & Communications Technology) based solution of fund management at PRI level. The Directorate of Panchayat and Social Justice, Government of Madhya Pradesh, renamed as Directorate Panchayati Raj (Directorate), selected the National Informatics Centre (NIC) for development of software and National Informatics Centre Services Inc. (NICSI) a Government of India enterprise under NIC for purchase of hardware and creation of infrastructure

for *Panchlekha*. For the computerisation of PRI financial accounting system a project proposal was submitted by the NIC with the estimated project cost of Rs18 crore and the Government sanctioned Rs17.82 crore for this purpose. Out of a total sum of Rs12.02 crore advanced to NICS I during the period from April 2004 to April 2006, a sum of Rs 10.43 crore was spent on procurement of hardware, trainings, services of data entry operators and other charges over four years ending December 2008 and the balance amount of Rs 1.59 crore remained unspent with NICS I.

The objectives of the computerisation of the PRI accounts are to record receipt of funds from various sources by *Gram Panchayats* and the expenditure incurred therefrom by *Gram Panchayats* under a *Janpad Panchayat* and consolidation thereof at *Zila Panchayat* and State level with due regard to efficiency and transparency. The system also helps in monitoring receipts, availability of fund and expenditure at all levels of three-tier administrative set up of PRIs i.e. *Gram Panchayat (GP)/Gram Sabhas (GS), Janpad Panchayat (JP)* and *Zila Panchayat (ZP)*. It also facilitates the generation of various reports, providing management information system for effective analysis and fund management at PRI level.

#### **1.4.1.2 “Panchlekha”–The Application Software**

“*Panchlekha*” application software works on Microsoft SQL 2000 RDBMS Desk Top/ Standard Edition on web server and Windows 2000 Server/ Windows 2000 Professional Operating System with Integrated Information Server (IIS) 5.0 to act as web server. Clients need Pentium system with Window XP platform. The software can be implemented at *Janpad Panchayat, Zila Panchayat* and Directorate Level. The subsystems of Budget distribution, accounting of Receipt and Payment through data entry and maintenance of records. These modules facilitate processing of scheme-wise as well as voucher level records. After data transfer from JPs to ZP the consolidation and compilation of data takes place at *Zila Panchayat* for further transmission to the Directorate. Reports/Query subsystem facilitates access in a user friendly and desired format as prescribed by the Comptroller and Auditor General of India on screen and hard copy. Macro-level information is made available on the net on department’s website [www.panchlekha.nic.in](http://www.panchlekha.nic.in).

For data entry in the software four modules<sup>94</sup> have been provided for input of data. The “*Panchlekha*” software package became operational from 2005.

#### **1.4.2. Organisational setup**

The Directorate of *Panchayati Raj* headed by Commissioner and assisted by Joint Director, Finance and Chief Executive Officers (CEOs) at District level and *Janpad Panchayat* level, are the administrative departments for the *Panchayati Raj* Institution in Madhya Pradesh. There were 52,700 *Gram Sabhas*, 23000 *Gram Panchayats*, 313 *Janpad Panchayats* and 48 *Zila*

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<sup>94</sup> *Annual Accounts, Monthly Accounts, Monthly Others and Daily Accounts.*



*Panchayats*. To implement the “*Panchlekha*” software in the state, five computers in all 313 *Janpad Panchayats* and two computers in all 48 *Zila Panchayats* along with supporting hardware were installed during the year 2005-06.

### 1.4.3 Audit objectives

1.4.3.1 Main objectives of IT audit were to assess whether -

- the prescribed purchase procedures were complied with and the IT Infrastructure created was used optimally;
- relevant rules and orders were correctly mapped into the system;
- IT controls in place were adequate and effective with regard to data completeness, accuracy and reliability;
- objectives of computerisation had been achieved or not;
- monitoring, supervision and evaluation was effective at all levels.

1.4.3.2 Examination of planning, implementation and monitoring stages of the “*Panchlekha*” software and the procedures involved therein.

### 1.4.4. Scope of audit and methodology

The scope of IT Audit of “*Panchlekha*” covered study of preparatory efforts of *Panchayati Raj* Institutions on computerisation of financial accounting system in areas such as, preparation of computer site, staff training and maintenance of hardware and software during the period 2005-09.

It was also planned to check whether the general, application and operational controls were in place. During the field visit, audit also examined the available data as regard to its completeness, accuracy and validity on the basis of computer generated reports in the form of printouts and other available means. Three districts i.e. Bhopal, Indore and Gwalior were selected for sample check in Audit of “*Panchlekha*” software.

### 1.4.5 Audit findings

1.4.5.1 Lack of an IT Policy, proper planning and monitoring at *Zila* and State level has led to poor implementation of the “*Panchlekha*” software at all the four levels of PRI. During the audit scrutiny at *Zila Panchayats* Bhopal, Gwalior and Indore and 10 *Janpad Panchayats*<sup>95</sup> thereunder, it was found that *Panchlekha* Software failed to perform at each of the four levels.

Audit observations on IT Audit of implementation of *Panchlekha* Software are elaborated in following paragraphs:

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<sup>95</sup> Berasia and Funda (Bhopal), Bhitwarwar, Dabra, Ghatigaon and Morar (Gwalior), Depalpur, Indore, Mhow and Sanwer (Indore).

## **System design deficiencies**

### **1.4.5.2 Non provision of automatic compilation facility at Zila Panchayat level**

**Provision for compilation of data was not available at Zila level.**

Two computers were provided at *Zila Panchayat* level to consolidate the data of *Panchlekha* sent by the *Janpad Panchayats*. The *Zila Panchayats* in two districts i.e. Indore and Gwalior made no efforts to get the data from the *Janpads* and consolidate for MIS purpose. The computers were being used for general office work. There was no provision in the software for the compilation of data received from various *Janpad Panchayats* at *Zila Panchayat* level. NIC was also not approached for the up gradation of the software.

On being pointed out in audit, the Department accepted the fact and stated (July 2009) that NIC would be approached to upgrade the software.

### **1.4.5.3 Input deficiencies**

**Maintenance of accounts in prescribed format was not done and monthly data was not fed in the software.**

Details regarding scheme wise monthly opening balances, budget allotted by the *Zila/ Janpad Panchayat*, monthly income and expenditure, store, movable and immovable property, road and land, details regarding bank reconciliation were to be fed in the *Panchlekha* software at *Janpad* level. This data was to be sent to *Zila Panchayat* and Directorate for compilation and further analysis. During the scrutiny of the software at selected 10 *Janpads* of Bhopal, Gwalior and Indore districts, following discrepancies were observed:

- As per directions issued by the Directorate and instructions in the user manual of *Panchlekha* Software, the accounts pertaining to PRIs were to be prepared in a ledger as per the prescribed formats. It was found that neither any *Janpad Panchayat* nor any *Gram Panchayat* was maintaining the records in prescribed Proforma.
- In place of collection of data on monthly basis, yearly data (for all the months collectively) was being collected from *Gram Panchayats/ Sabhas*. Due to nonavailability of monthly data, it could not be sent to NIC via **priasoft@mp.nic.in**, for website updation.
- Budget allocation figures are required to be fed by the *Janpad Panchayat* into the software, however it was observed that the same was not fed in all selected 10 *Janpad Panchayats* and in the absence of these figures expenditure against a particular scheme could not be monitored and validated. Scheme wise opening balances were also not fed into the software in any of 10 *Janpad Panchayats*.
- Details regarding store, movable and immovable property, road and lands etc, in respect of *Gram Panchayats/Sabhas* and *Janpad*

*Panchayats* which were to be fed at *Janpad Panchayat* level, were not entered in the *Panchlekha* data in any of 10 *Janpad Panchayats*.

- In *Zila Panchayat* Bhopal, the computer hardware for *Panchlekha* was not received though reported as having been supplied by State Directorate and no activity of “*Panchlekha*” software was performed there (March 2009). On being pointed out, the Directorate accepted the fact and stated (July 2009) that instructions in these regards would be issued to all the CEOs.
- Monitoring committees headed by Collectors were formed at *Zila* levels as per the directions from the Directorate but during the scrutiny of the records at all three selected districts it was found that committee had not met at the end of each month for the follow up and monitoring of the scheme during the years 2007-08 and 2008-09. On being pointed out Directorate stated (July 2009) that the information regarding meetings of the committees would be collected and will be intimated to Audit.
- Responsibility to ensure completeness and accuracy of the data and to validate the available data lies with the Chief Executive Officer (CEO) of concerned *Janpad Panchayats*. It was found that in none of the selected *Janpad Panchayats*, the CEO had a mechanism to check the input data for its completeness and correctness. The input forms were not checked and validated by any responsible person of the *Janpad Panchayat* and were directly received for feeding by Data Entry Operator (DEOs) who were outsourced contract employees.
- Separation of duties was essential to prevent unauthorised manipulation of data. However there was no System Administrator at *Janpad Panchayat* level and the DEOs were responsible for data feeding as well as backup of data. There was no checking of manual data regarding budget/sanction etc., with the records available at the *Janpad Panchayats*. Therefore the entire “*Panchlekha*” database was at the mercy of outsourced DEO.

Meetings of Monitoring committee formed for *Panchlekha*'s proper implementation did not organise meetings.

Data was not checked for its completeness and accuracy before feeding it into the system.

*Panchlekha* software was not found functional in seven out of 10 *Janpad panchayats*.

#### 1.4.5.4 Non functional *Panchlekha* software in *Janpad Panchayats*

Audit scrutiny at 10 *Janpad Panchayats* of the selected three districts<sup>96</sup> revealed that in seven *Janpad Panchayats* i.e. Morar, Ghatigaon, Dabra, Bhitwar, Funda, Barasiya and Sanver, the software was not working (May-June 2009). Now *Janpad Panchayat*, Funda has sorted out the problem and data entry for *Janpad* has started functioning recently (July 2009). However Data relating to *Gram Panchayat/Sabhas* was still not collected in *Janpad Panchayat*, Funda (July 2009).

On being pointed out in audit, Directorate, *Panchayati Raj* stated (July 2009) that instructions would be issued to all *Janpad Panchayats* to make the

<sup>96</sup> Bhopal, Gwalior and Indore.

software functional with the help of NIC. Instructions would also be issued for collection and feeding the data on monthly basis from the year 2009-10.

**Sanction orders were issued without complete classification of accounts.**

#### ***1.4.5.5 Sanction orders issued without complete classification***

As per the directions issued by the Directorate and instructions contained in the User Manual, the budget sanction orders issued to *Gram Panchayat* by *Janpad Panchayats* and *Zila Panchayats* must contain the complete information regarding head of account, classification details such as Major head, Minor head and Plan/Non-plan etc. But during the test-check of the records at the selected 10 *Janpad Panchayats*, it was observed that the budget sanction orders did not contain complete classification and *Gram Panchayats* were unable to fill these details.

The Directorate accepted the fact and stated (July 2009) that instructions would be issued to all CEOs *Zila Panchayats* and *Janpad Panchayats* to give complete classification of accounts in sanction orders.

**Master directories were not updated at Directorate level.**

#### ***1.4.5.6 Non-updation of Master Directories***

Master directories such as Department names, Demand numbers, Head of Account Classification, List of PRIs (*Zila/Janpad/Gram Panchayat* and *Gram Sabha*) and List of Banks, which were to be updated at Directorate level, were not updated since 2005-06. During the scrutiny of master data of the four selected *Janpad Panchayats* i.e. Indore, Mhow, Depalpur and Funda, it was observed that some of the scheme names such as Vidhayk/Sansad Nidhi, Janbhagidari Yojna, Madhya Pradesh Bhawan and Sanirman Yojna, Jalabhishek/Vriksharopan Yojna, Chanda Pathar, Kitchen Yojna etc., were found missing from the master data. Thus, data related to these schemes could not be fed into the system.

On being pointed out in audit, the Directorate stated (July 2009) that the NIC Bhopal was making additions and corrections in the Master Directories during the initial year. However after bifurcation of the office of the Director *Panchayat* and Samajik Nyay, in December 2007, server was not available with Directorate, *Panchayati Raj*. Therefore Directorate was not having upto date details of Master directories. Director stated that observations made by the audit will be sorted out with the help of NIC Bhopal.

### **Infrastructural deficiencies**

#### ***1.4.5.7 Absence of definite time frame for implementation of Panchlekha Software hampered the progress and monitoring***

**Due to indefinite time frame, project remained incomplete even after the lapse of four years.**

As per the project proposal submitted by the NICS System Requirement Specification (SRS), software development, site preparation, hardware and system software procurement, testing, installation and commissioning was targeted to be completed within six months of the transfer of fund. An advance payment of Rs 4.03 crore was made to the NICS in March 2004 for this purpose and creation of ICT infrastructure was, therefore, required to be

completed by September 2004. Pilot and State wide implementation, as per projections, required a period of further six months. Therefore, estimated timeline for the completion of the project was around March 2005. During the scrutiny of records of Directorate, it was found that no proper documentation was available at the Directorate regarding completion of the project, installation of hardware at *Zila* and *Janpad Panchayats*. The project was still not fully operational in most of the locations audited which showed that authorities at various level lacked interest in implementation of the project.

On being pointed out the Directorate stated that the *Panchlekha* project was a big scheme and a definite time frame could not be set for its implementation. Reply was not tenable, as four years was long period and inspite of availability of funds, necessary hardware/software at all the three levels, department failed to implement the scheme till date (July 2009).

#### **1.4.5.8 Failure in creation of Information and Communication Technology infrastructure at Directorate and Zila level**

**Information and Communication Technology infrastructure to manage the *Panchlekha* software was not created at Directorate level.**

- The Directorate, inspite of having required infrastructure in terms of hardware and software during the year 2006-2008, could not make use of the system due to non-availability of desired technical/professional manpower to manage the “*Panchlekha*” work as envisaged in the project proposal. Further, the Directorate’s failure to nominate a nodal officer for this purpose also hampered the project work in its initial years. Even hiring of four Data Entry Operators for *Panchlekha* work at a cost of Rs 4.11 lakh (July 2009) did not prove to be of much help as their services were not used for the monitoring and analysis of *Panchlekha* data.

On being pointed out the Directorate stated (July 2009) that the efforts were being made to create an ICT infrastructure and to install proxy server at the Directorate and a nodal officer has been appointed in September 2008.

- To create the ICT infrastructure at each District level, hardware i.e. two PCs, one DMP, one Laser Printer and one scanner were supplied to all 48 District Headquarters at the cost of Rs 45.69 lakh alongwith two UPS to each District Headquarters at the cost of Rs 12.03 lakh. Audit scrutiny revealed that the Hardware was not received in *Zila Panchayat*, Bhopal and in other two districts i.e. Gwalior and Indore the PCs were not used for *Panchlekha* purpose. A Remote Access Server was also to be installed at *Zila Panchayat* to allow the *Janpad Panchayats* to upload the data to district server but it was not installed in any of the three districts.

On being pointed out the Directorate stated (July 2009) that the efforts are being made at the Directorate level to transfer the hardware to *Zila Panchayat* offices from Joint/Deputy Director, *Panchayat* and Samajik Nayay, MP, Bhopal in which they were initially installed before the bifurcation of the Directorate.

- Further, as per proposal submitted by NIC, the services of an Assistant Programmer were also to be hired by Directorate for one year at *Zila* level offices for technical support which could be extended as per the requirements. He was to co-ordinate with *Janpad Panchayats* for timely uploading of data and generation of reports at the district level and to train the other staff members to enable them to manage the infrastructure. However, despite the availability of funds, services of assistant programmer were not hired. Due to non-posting of technical staff the software could not be implemented successfully.

On being pointed out the Directorate stated (July 2009) that the matter would be discussed with NICS and progress would be intimated to Audit.

#### ***1.4.5.9 Erroneous Data, resulting in unreliable database***

As a result of poor or inadequate general controls discussed in succeeding paragraphs, following inaccuracies were noticed in the database and manual sanctions:

- *Zila Panchayat*, Indore released the fund under Indira Awas Yojna to *Gram Panchayats* of Indore and *Mhow Janpad Panchayats*. During the test-checks of data of five out of 84 *Gram Panchayats* of *Janpad Panchayat*, Indore and 10 out of 73 *Gram Panchayats* of *Janpad Panchayat* Mhow, it was found that amount shown in the report for eight GPs was not matching with the amount released by the *Zila Panchayat* for the year 2007-08 as given below:

**Table No. 1.24 : Discrepancies in amount actually released and that shown in software**

Sl. No.	Name of <i>Janpad</i>	Name of <i>Gram Panchayat</i>	Amount released by <i>Zila Panchayat</i>	Amount shown in the <i>Panchlekha</i> data
1	Indore	Narlay	25,000	37,500
2	Indore	Semlyachou	50,000	Nil
3.	Indore	Bank	25,000	Nil
4.	Indore	Sihansa	25,000	25,022
5	Mhow	Nanded	75,000	Nil
6	Mhow	Men	62,500	Nil
7	Mhow	Kalikiray	50,000	Nil
8	Mhow	Kakriya	62,500	Nil

When pointed out in Audit CEO, *Janpad Panchayat*, Mhow stated (May 2009) that in future secretaries of GPs will be instructed for correction and concerned employee will be directed to check the *Panchlekha* figure with the sanction orders. CEO, *Janpad Panchayat*, Indore (May 2009) stated that the data of computer will be corrected after comparison with records.

- During the year 2007-08 against a payment of Rupees two lakh made to the *Gram Panchayat*, *Kampel* of *Indore Janpad Panchayat* for cement concrete work, an amount of Rs 0.18 lakh only was found entered in income and expenditure columns in *Panchlekha* data. However, examination of records revealed that the whole amount of

Rupees two lakh was actually received and spent by *gram Panchayat* during the year 2007-08.

On being pointed out in audit CEO, *Janpad Panchayat*, Indore replied that the data of computer will be corrected after comparison with records.

- Amount issued under the Twelfth Finance Commission was not found in any of the five<sup>97</sup> *Gram Panchayats* of Indore *Janpad Panchayat*. In two *Gram Panchayat* i.e. Badolihoj and Rolay of *Janpad Panchayat*, Depalpur amount of Samajik Surksha Pension and Rashtriya Vridha Awastha Pension was not entered in data for the month of April 2007 and March 2008 respectively.

On being pointed out in audit CEO, *Janpad Panchayat*, Indore stated (May 2009) that the data of computer will be corrected after comparison with records. CEO *Janpad Panchayat*, Depalpur replied (May 2009) that the information would be entered after getting it from the concerned GP.

- During test-check at *Janpad Panchayat* Depalpur, Mhow and Indore, it was found that the opening balances and closing balances shown in software data and proforma provided by the *Gram Panchayats* were not matching with each other as shown in the **Appendix 1.13**.

On being pointed out CEO's *Janpad Panchayat* Depalpur, Mhow and Indore stated (May 2009) that the records in prescribed format were not made available by the *Gram Panchayats* on monthly basis and the scheme codes for some schemes were also not available. Due to this, expenditure of these schemes were entered in other expenditure. In future the errors will be rectified. While, CEOs *Janpad/Zila Panchayats* have accepted the audit observation and replied (May-June 2009) that arrangement would be made for checking the input and output documents.

**Information Technology policy, Disaster recovery and Business Continuity Planning was not formulated.**

#### ***1.4.5.10 Inadequate General Controls***

General controls include controls over data center operations, system software acquisition and maintenance, access security and application system development and maintenance. During the scrutiny of records following discrepancies were found in this respect.

- For the management of an IT project of such a magnitude the department should have formed a clear IT Policy. However during the scrutiny of the records it was observed that the Department had not formulated any IT documentation policy.
- Department did not have any Disaster Recovery and Business Continuity Plan to re-start or restore its normal operations in the event of any disaster.

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<sup>97</sup> *Bank, Kampel, Narlay, Semalyachau and Sihansa.*

**Departmental website is not working.**

On being pointed out, Joint Director (Finance) stated (July 2009) that an IT policy would be formulated after discussion with NIC, NISCI and other departments of the Government.

- In the absence of a well defined and documented backup policy, it was found in audit that the backup data for the year 2006-07 was not found in eight<sup>98</sup> out of 10 *Janpad Panchayats*. It was intimated that the data had been sent to NIC and backup was not available. However, the fact that data pertaining to the financial year 2006-07 was sent to NIC for website updation could not be verified, as the Department's website which is "*Panchlekha.nic.in*" was not working (May-June 2009).

On being pointed out the Directorate stated (July 2009) that *Zila/Janpad Panchayat* would be instructed to keep the backup data and to send a copy to directorate.

- Security policies regarding use of infrastructure, internet, virus protection, logical access controls, and physical access controls were also not formulated by the Department. It was found that data entry was done using the identity of administrator, thus user was free to use all the privileges, which were assigned to administrator such as editing, deleting and copying of data.

#### **1.4.6 Other points of interest**

##### ***1.4.6.1 Blocking of public funds***

*Panchayat* and Social Justice Department signed a MOU on 6 February 2005 with NISCI for the development of *Panchlekha* software and creation of ICT Infrastructure. However an amount of Rs 4.03 crore was paid to the NISCI on 31 March 2004 as advance well before signing of MOU. The amount of Rs 4.03 crore was lying idle at NISCI for 11 months resulting in blocking of public funds and undue advantage of interest to NISCI.

During September 2006 NISCI had submitted a utilisation certificate to the Directorate against the advance received by them. However, no efforts were made by the Department to settle the accounts with NISCI. NISCI again submitted a fresh settlement of accounts during December 2008 against the advance of Rs 12.02 crore. As per the settlement of accounts Rs 1.59 crore remained unutilised and lying with NISCI. However, after lapse of six months of submission of accounts, Department had not made any efforts to get back the remaining amount from NISCI, resulting in blockage of public funds.

On being pointed out, the Department stated (July 2009) that information regarding interest earned on the advances by NISCI was sought from the company but their response was still awaited (June 2009).

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<sup>98</sup> *Berasia, Bhitwar, Depalpur, Funda, Ghatigaon, Mhow, Morar and Sanwer.*



### 1.4.7 Conclusion

“Panchlekha” project was initiated with the objective of the computerisation of the PRI accounts to ensure recording of receipt of funds from various sources by *Gram Panchayats* vis-à-vis the expenditure incurred by *Gram Panchayat* under a *Janpad Panchayat*. Further at *Zila Panchayat* and State level, consolidation of data was to be done with due regard to efficiency and transparency. The project was expected to assist in monitoring of fund receipt, availability, and expenditure at all levels of three-tier administrative set up of PRIs i.e. *Gram Panchayat (GP)/Gram Sabhas (GS)*, *Janpad Panchayat*, and *Zila Panchayat* by facilitating generation of various reports, providing management information system for effective analysis and fund management at PRI level. However it was observed during audit that there was lack of monitoring at all levels of the Department leading to non-entering of monthly figures of income and expenditure at *Janpad Panchayat* level alongwith other vital information which were essential to monitor the progress of *Panchlekha* Software. Thus the expenditure of Rs 10.43 crore incurred on the creation of software and related infrastructure proved unfruitful.

### 1.4.8 Recommendations

- Steps should be taken to collect data in prescribed proforma from PRIs and entered on monthly basis in the system.
- A mechanism at *Janpad* level need to be established to check the input forms received from *Gram Panchayats* and *Gram Sabhas*. The input forms should be validated before they are entered in the system.
- Immediate steps should be taken to update the master data files regarding name of schemes, list of *gram Panchayats/Sabhas*, details of banks, details of classification etc., so that complete data can be entered at *Janpads*.
- Complete classification of Account Heads should be mentioned in budget allotment orders at PRIs’ level.
- Hands on training in *Panchlekha* should be imparted to *Janpad* and district officials of PRIs so that they can acquire required capability to maintain accounts in prescribed proformas.
- A well documented comprehensive IT Policy enumerating Security Controls, Physical and Logical Access Controls, Program Change Controls and Disaster Recovery and Business Continuity Plans etc., should be formulated.

## **School Education Department**

### **1.5 Information Technology Audit of Headstart programme of Rajiv Gandhi Shiksha Mission**

#### *Highlights*

*To bridge the digital divide with the specific objective of familiarising schoolchildren in rural areas with Information Communication Technology (ICT), the Government launched (November 2000) a computer enabled education programme called Headstart for schoolchildren. At present, 3,361 Headstart centres have been established in the State.*

**The Rajya Shiksha Kendra and Zila Shiksha Kendras made unjustified allotments totalling Rs 9.47 crore as contingency funds for non-functional Headstart centres.**

*(Paragraph 1.5.7.1)*

**Ten out of the 11 selected Headstart centres were non-functional due to faulty hardware in the absence of annual maintenance contracts.**

*(Paragraph 1.5.8.1)*

**Complete sets of educational Compact Discs were not available at Headstart centres, in the absence of which it was not possible for the centres to impart effective computer-assisted education.**

*(Paragraph 1.5.8.2)*

**A total of 199 personal computers, two monitors, 48 uninterrupted power supply units, three batteries and 12 printers were stolen from 117 Headstart centres due to inadequate physical security and general controls at Jan Shiksha Kendras.**

*(Paragraph 1.5.13)*

**Lack of monitoring at Zila Shiksha Kendras and Rajya Shiksha Kendra resulted in ineffective implementation of the Headstart programme in the State.**

*(Paragraph 1.5.14)*

#### **1.5.1 Introduction**

The Government launched (November 2000) a computer enabled education programme called Headstart for schoolchildren initially under the District Primary Education programme (DPEP) upto 2001-02 and under the *Sarva Shiksha Abhiyan* from 2002-03. The project was intended to bridge the digital

divide with the specific objective of familiarising schoolchildren in rural areas with Information Communication Technology (ICT). At present, a total 3,361 Headstart centres have been established in the State. The total expenditure incurred on the project during the last five years ending 2008-09 amounted to Rs 41.28 crore.

The main objective of the scheme was to cater to the needs of students from Class I to Class VIII in the following manner:-

- improving the quality of learning through use of Information Technology;
- developing Multimedia Rich Lessons (MMRL);
- redefining the pedagogic process through interactive learning and self-learning;
- familiarising primary schoolchildren with computer operations and
- providing equal opportunities for students in remote areas.

### 1.5.2 Organisational setup

The *Rajya Shiksha Kendra* (RSK), Madhya Pradesh, is the administrative department for implementation of the Headstart scheme in the State under *Sarva Shiksha Abhiyan*. It is headed by a Commissioner, who is assisted by a Manager (Finance) and District Project Co-ordinators (DPCs) at the district level. The DPCs are assisted by Block Resource Centre Co-ordinators (BRCCs) at the block level and Co-ordinators at the Headstart centre level. Programmers at the *Zila Shiksha Kendra* (ZSK)<sup>99</sup> have been nominated to look after the monitoring and implementation of the Headstart programme in their Districts. The programme has been implemented in 48 districts of the State.

### 1.5.3 Audit objectives

The main objectives of the Information Technology audit were to assess:

- whether the objectives of the Headstart scheme have been achieved and to what extent;
- whether the hardware available is sufficient and adequate in terms of the number of students in the *Jan Shiksha Kendras* (JSK)<sup>100</sup> and in the link schools<sup>101</sup>;

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<sup>99</sup> *Implementing and monitoring agency at district level.*

<sup>100</sup> *A middle school to which 10 to 12 primary schools linked under the scheme.*

<sup>101</sup> *Primary schools which were linked with JSK.*

- the prior preparedness of JSKs for implementing Headstart in terms of availability and maintenance of hardware, availability of software and educational CDs, power supply and availability of teachers;
- the adequacy and effectiveness of IT controls to ensure security of hardware and software and
- the effectiveness of monitoring, supervision and evaluation mechanisms at all levels.

#### **1.5.4 Audit scope and methodology**

The review covers the progress of various activities relating to implementation of Headstart during the period 2003-09. Two districts i.e. Bhopal and Vidisha were selected for the IT Audit of Headstart software. Five<sup>102</sup> Headstart centres of two Block Resource Centres (BRCs) i.e. Funda (Urban) and Funda (*Gramin*) of ZSK, Bhopal district and six<sup>103</sup> Headstart centres of three BRCs i.e. Basoda, Nateran and Vidisha of ZSK, Vidisha district were selected for detailed scrutiny of records related to implementation of scheme. It was also checked whether the guidelines issued by the RSK for the effective implementation and monitoring were adhered by the ZSKs and Headstart centres (HSCs).

#### **1.5.5 Audit Findings**

During the scrutiny of selected centres, it was found that all the 11 Headstart centres were non-functional due to various reasons such as faulty hardware, non-availability of educational CDs, non-availability of trained teachers and long duration of power failures.

Audit observations on the implementation of the Headstart programme are elaborated in the subsequent paragraphs:

#### **1.5.6 Planning**

Over the last five years, the RSK had neither reviewed the scheme nor taken into account the increasing numbers of students in JSKs and link schools. The number of personal computers (PCs) in each Headstart centre was only three. As the total number of students in each JSK and the link schools under it was more than 3,000, the initial estimate of three PCs for over 3,000 plus students was grossly inadequate and made it virtually impossible to design a curriculum to give two hours of computer time per week to each student of the

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<sup>102</sup> Government Middle School, Jaslok, Khajuri Sarak, Parvalia Sarak, Rasadiya and Teelakhedi.

<sup>103</sup> Government Middle School, Bagri, Madhoganj No 2, Noghai, Pachma, Pipaldhar and Shamsabad.

JSKs and one hour time per week to the link school students. This was a serious issue left unattended in planning of the Headstart programme due to which the programme failed to take off even after eight years.

On this being pointed out, the DPCs stated (August-September 2009) that the matter would be brought to the notice of the higher authorities.

### 1.5.7 Financial management

#### 1.5.7.1 Unjustified allotment of contingency funds by Zila Shiksha Kendra for non-functional Headstart centres

According to instructions issued (December 2008) by the RSK, recurring funds were not to be provided to non-functional Headstart centres.

**Contingency funds at the rate of Rs 10000 per centre were allotted to non-functional Headstart centres.**

➤ As per the RSK's records, there were 68 Headstart centres in Bhopal district. However, on scrutinising the records, 64 Headstart centres were found to be in existence, of which only 22 centres were functional. The RSK had allotted an amount of Rs 6.80 lakh during 2008-09 as recurring funds for the maintenance of all 68 centres in place of Rs 2.20 lakh for 22 functional Headstart centres. Thus, unjustified allotment of Rs 4.60 lakh was made to 46 non-functional Headstart centres.

**Rupees 9.47 crore was allotted without locating the actual functional Headstart centres.**

➤ The RSK did not have upto date information about non-functional Headstart centres and allotted the recurring funds for electricity bills, ribbons, floppies, stationery, Annual Maintenance Contracts (AMCs), purchase of batteries, insurance of hardware, etc. to all 3,361 Headstart centres of the State. During 2008-09, an amount of Rs 9.47 crore was allotted to cover the recurring items of expenditure without finding out the actual numbers of functional Headstart centres, indicating a serious lapse on the RSK's part and waste of Government funds.

➤ During scrutiny of the records at ZSKs, Bhopal and Vidisha, it was observed that though 42 out of 64 Headstart centres of Bhopal district and 40 out of 77 Headstart centres of Vidisha district were non-functional due to various reasons such as faulty hardware, theft, non-availability of trained teachers and power problems, contingency funds to these centres were provided by RSKs/ ZSKs. Thus there was complete lack of monitoring at the RSK/ZSKs level.

Government stated (December 2009) that contingency funds were allotted to these non-functional Headstart centres to pay electricity bills.

The reply is contradictory to the RSK's directives which allowed the allotment of contingent funds only to functional centres.

Government agreed with the audit observation and stated (December 2009) that efforts were being made at ZSK, Bhopal to get the hardware for the

remaining four new Headstart centres through Director General Supplies and Disposal (DGS&D). However, the supply was still awaited (December 2009).

### **1.5.8 Unpreparedness of Jan Shiksha Kendras to function as Headstart centres**

#### **1.5.8.1 Lack of hardware maintenance**

**Ten out of 11 Headstart centres were non-functional due to absence of annual maintenance contracts.**

- During scrutiny, it was found that in ZSK Bhopal, after the expiry (June 2008) of the AMC of 144 computers, 46 printers and 138 UPS, purchased during 2003, the contract was not renewed. AMCs for 54 computers, 54 UPS and 18 printers were not signed after the expiry of the warranty period in 2008 by ZSK, Bhopal.
- Similarly, in ZSK, Vidisha, there were no AMCs for the computers, printers and UPS installed during Phase-I in 2000 and Phase-II in 2003.
- Out of 11 centres audited, four<sup>104</sup> Headstart centres of ZSK, Bhopal and all six<sup>105</sup> centres of ZSK, Vidisha were found to be non-functional due to PCs/UPSs remaining out of order from one to six years and frequent long duration power cuts.

Thus, the absence of AMCs for repairs of hardware and inadequate power supply rendered these Headstart centres non-functional and the investment of Rs 14.05 lakh remained unfruitful in the selected 10 Headstart centres.

Government accepted (December 2009) the audit observation and stated that efforts were being made at the district level to get the AMCs finalised.

#### **1.5.8.2 Lack of educational Compact Discs**

**Complete set of educational compact discs was not found available at Headstart centres.**

The RSK provided a set of 44 CDs for educational purposes for students of each Primary and Middle level Headstart centre, covering Hindi, English, Maths, Social Science and Science. In addition to that, an additional set of 38 CDs (video films) was also provided for the help of teachers. These items of software were developed in collaboration with the Bhoj Open University. However, on examination, it was observed that the actual number of CDs distributed was much less than that reported. Details of the CDs available at selected 11 Headstart centres are as follows.

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<sup>104</sup> Government Middle School, Jaslok, Khajuri Sarak Parvalia Sarak, Teelakhedi.

<sup>105</sup> Government Middle School, Bagri, Madhoganj No 2, Noghai, Pachma, Pipaldhar and Shamsabad.

**Table No. 1.25: Position of availability of educational CDs at selected Headstart centres**

Sl No	Name of the Headstart Centre/Name of the BRC	No of items available at Headstart centre
1.	Government Middle School, Rasidiya/Funda Urban	Available but the complete set was not available.
2.	Jaslok/Funda Urban	Available but the complete set was not available. After 2006, only audio CDs were received which were not very helpful in understanding the subject.
3.	Government Middle School, Parvalia Sarak/ Funda Gramin	Five CDs were available but the complete set was not available.
4.	Government Middle School, Khajuri Sarak/Funda Gramin	Six CDs were available but the complete set was not available.
5.	Government Middle School, Teela khedi/Funda Gramin	Not available.
6.	Government Middle School, Govt. Girls PS, Shamshabad, Nateran	Nine CDs (six for PS and three for MS) were available but the complete set was not available.
7.	Government Middle School, Pipaldhar, Nateran	Eight CDs were available but the complete set was not available.
8.	Government Middle School, Pachma, Basoda	Six CDs were available but the complete set was not available.
9.	Government Middle School, Naghoi, Basoda	Six CDs were available but the complete set was not available.
10.	Government Middle School, Bagri, Vidisha	12 (nine PS and three MS) were available.
11.	Government Middle School, Madhoganj Vidisha	Six CDs were available.

Thus, in the absence of complete sets of educational CDs, it was not possible for the centres to impart effective computer-assisted education to the students. The matter was brought to the notice of the concerned DPCs and incharges of the Headstart centres. In reply, the DPCs stated (August-September 2009) that instructions would be issued to maintain the required material at the Headstart centres and that the matter would also be intimated to higher authorities.

Government stated (December 2009) that Headstart CDs were based on the number of titles in one CD and not on the number of physical CDs. One CD contained many programmes. In order to protect CDs from physical damage and becoming corrupt, educational software had also been loaded on to the hard disc. Physical damage/misplacement of CDs were also been reported. The districts were free to replicate Multimedia (MM) programmes as per their needs. The reply is not admissible as all the selected 11 Headstart centres had reported to Audit that complete sets of CDs as mentioned in Headstart's guidelines were not available with them and the number of CDs available at HSCs varied from five to 12. Study material was also not available in the Hard discs of the systems as it had been reformatted due to technical reasons.

#### ***1.5.8.3 Non-preparation of detailed timetable to extend the Headstart facility to link schools***

**Timetable to extend the Headstart facility was not prepared at Headstart centres.**

Headstart envisaged the maintenance of a detailed timetable for JSKs and link schools with regard to availability of teachers, number of students in the school, holidays, availability of time, CDs etc. However, during scrutiny of records, it was found that such timetables were not maintained and classes were not held for link schools at all.

Similarly, a register for recording the attendance of students availing of the facility of the Headstart programme was also to be maintained at each Headstart centre. This register was not maintained in any of the 11 selected Headstart centres. The Headstart programme was to be linked to the academic curriculum of the schools, which had also not been done so far. On this being pointed out, the in-charges of Headstart centres of all 11 schools replied (August-September 2009) that the programme would be prepared and registers would be maintained for the students.

The Government stated (December 2009) that the programme catered only to local schoolchildren where average enrolment was about 250. As computers were considered as teaching-learning aid devices for clarifying hard spots only, no IT curriculum had been designed. The PCs were designed on “as and when felt required by the teacher” basis. The reply is contrary to the guidelines of Headstart programme.

In respect of the non-extension of Headstart facilities to link schools, it was stated (December 2009) by the Government that initially, this activity was proposed as an extension of Headstart, but when schools reported problems in physical movement of students and problems of 6-10 year old students in travelling 8-10 km including accidents during movement, the practice was stopped. Thus, the idea did not prove to be feasible due to managerial and logistic problems. This reply indicates that while framing the objective of Headstart scheme of spreading ICT through JSKs among rural students of link schools, such issues were not taken into consideration.

### **1.5.9 Non-formation of science clubs at Headstart centres**

Headstart envisaged using the computer as an effective tool for learning about science and technology. Science clubs were to be set up at each JSK during 2004. None of the 11 Headstart centres selected in audit, however, had Science Clubs. After this being pointed out, the concerned DPCs replied (August-September 2009) that instructions would be issued to JSKs to form Science Clubs in their schools as directed by the RSK.

Government agreed (December 2009) with the audit observation and stated that a module would be incorporated for science teachers’ training at the upper primary level.

### **1.5.10 Non-availability of trained teachers in Headstart Centres**

As per the RSK’s instructions, at least two trained teachers should be available in each Headstart centre. But during audit of selected districts, it was found that in three Headstart centres namely Middle School, Shamsabad, Jaslok and Teelakhedi, only one trained teacher was available. In Middle School, Pachma, no teacher was available to use the Headstart facility. It was also seen that though teachers had got the scheduled training of 10 days imparted by RSK, it was not sufficient to make them competent trainers. They were inadequately trained to use the computers effectively for educational purposes and thus the Headstart centres could not be run successfully.

**Teachers with inadequate training were posted for students.**



Government accepted (December 2009) this observation and stated that due to transfers, promotions, retirements etc., computer trained teachers had to be replaced. The districts had already been directed to send teachers to the regional training centres for training.

**1.5.11 Reports of Block Resource Centre Co-ordinators indicated large scale non-functional centres**

**Annual Maintenance Contracts were not signed for 198 computers, 192 Uninterrupted Power Supply units and 64 printers.**

As per the RSK's, instructions, a Block level co-ordinator having working knowledge of computers or qualifications equivalent to B.Sc was to be assigned the monitoring work. He was required to meet the Headstart Co-ordinators, collect and send information in respect of non-working Headstart material to programmers/ZSK and coordinate between the JSKs and the ZSKs. He was also responsible for successful implementation of the Headstart programme in his jurisdiction. However, it was observed that no such coordinator was nominated by ZSKs, Bhopal and Vidisha. As a result of this, it was found that AMCs in respect of 198 computers, 192 UPSs, 64 printers as already mentioned in para 1.5.8., issued to various Headstart centres had not been undertaken/renewed after expiry of the warranty periods or non-renewal of AMCs. In the absence of this, out of 11 centres audited (five in Bhopal and six in Vidisha), 10 centres were non-functional as the PCs/UPSs were not working.

On this being pointed out, the DPCs replied (August-September 2009) that Block Resource Centre Co-ordinators would be instructed to effectively monitor HSCs and efforts would be made to make these Headstart centres functional.

Government stated (December 2009) that where power is amply available, Headstart centres were functional. The reply is not admissible as power failure is one out of the many reasons of non-functioning. Headstart centres faced problems such as unrepaired hardware, non-availability of trained teachers, non-availability of teaching material and also the absence of formulation of any curriculum and timetable. Keeping in view of the adverse power situation in the State, UPSs with four hour power backup had already been provided to the centres, which were also not used optimally in the centres.

**1.5.12 Delayed/unjustified purchase of Uninterrupted Power Supply units**

At ZSK, Bhopal, it was found that for the implementation of Phase III of the Headstart programme during the year 2005 in Bhopal district, 54 computers and 18 printers were purchased for installation in 18 Headstart centres costing Rs 14.64 lakh during April 2005. Scrutiny of records revealed that the procurement of UPS for these computers was made as late as in December 2006 (i.e. after 20 months from the date of purchase of hardware) at a cost of Rs 7.29 lakh when warranty of these computers and printers had already elapsed. Moreover, Headstart centres also remained non-functional during this period.

The Government replied (December 2009) that the RSK and ZSK were deciding the kind of batteries which were to be purchased, SMF or tubular. The reply is not acceptable as 20 months was a long period to decide on such an elementary issue.

It was also found that all three computers of the Headstart centre, Government Middle School, Sihoda in Berasia Block were stolen during March 2006. In spite of this, three UPSs were purchased for the centre during December 2006 and issued to it. These were lying idle at that centre till date (December 2009). Insurance claims in respect of stolen computers was made but payment was not received and repurchase of computers for the Sihoda Headstart centre was not done (December 2009).

The Government stated (December 2009) that these UPSs were purchased in expectation of receiving the insurance amounts and purchasing of computers for the Headstart centre. The computers, however, had not been purchased for Headstart centre, Sihoda, as of December 2009 and UPSs were lying idle.

#### **1.5.13 Inadequate physical security and general controls at *Jan Shiksha Kendras***

**Due to inadequate security at *Jan Shiksha Kendras*, large numbers of hardware items were stolen from Headstart centres.**

In order to avoid losses caused due to instances of theft of hardware, provision was made to insure the hardware material installed in Headstart centres. For this, each year, the RSK provided funds to the ZSKs at the rate of Rs 500 per centre for insurance. The total amount paid as premium towards insurance during the period 2003-2009 was Rs 52.13 lakh. However, it was noticed during the scrutiny of the records of the RSK that hardware viz 199 PCs, two monitors, 48 UPSs, three batteries and 12 printers had been stolen from 117 Headstart centres during the period December 2000 to May 2008 for which either insurance claims had not been made or the insurance amounts had not been realised after the lapse of periods ranging from one to eight years. The RSK did not have specific information about the exact position of insurance claims made by the various ZSKs or the affected districts. In fact, preventing theft of the IT assets should have been the main area of concern.

On this being pointed out, the RSK stated (August 2009) that in two cases, hardware material such as six computers and four UPSs was recovered. For other cases, efforts were being made at the district level.

The Government accepted (December 2009) the audit observation and intimated that instructions had also been issued (December 2009) to all the Collectors to provide security facilities and make Parent Teacher Associations (PTAs) responsible for checking theft cases.

#### **1.5.14 Lack of monitoring at *Zila Shiksha Kendra and Rajya Shiksha Kendra***

- Five Headstart centres were to be checked each month by the Programmers/ZSKs. Audit, however, observed that monthly checks were not been conducted. The DPC, ZSK, Bhopal and Vidisha

accepted (August-September 2009) the audit observation and replied that a programme would be chalked out to monitor the Headstart programme efficiently in future as directed by the RSK.

- Registers in the proforma prescribed by the RSK for keeping accounts of the material provided to Headstart centres were not maintained at all 11 selected Headstart Centres. Stock registers showing details regarding hardware, their cost and place of present installation were not found maintained at the ZSKs.
- Nodal officers were not nominated in two selected HSCs, viz Middle Schools, Naghai and Pachma. Co-ordinators were also not available at the block level. The monitoring activities were thus found to have been neglected.
- Data regarding the actual number of trained teachers and their current postings was not maintained at ZSKs, Bhopal and Vidisha. Thus there was no monitoring of their availability at the centres.

On this being pointed out, it was replied (August-September 2009) by the ZSKs, Bhopal and Vidisha that information would be collected about the current situation of the Headstart programme and efforts would be made to make the non-functional centres functional.

Government accepted (December 2009) the audit observations and assured to take alternative measures for better implementation of the Headstart programme.

#### **1.5.15 Conclusion**

Despite having invested large amounts for the creation of infrastructure for Headstart centres, the department failed to achieve the intended objectives of the Headstart programme due to a lackadaisical approach and ineffective monitoring. Forty two out of 64 Headstart centres of ZSK, Bhopal and 40 out of 77 Headstart centres of ZSK, Vidisha were non-functional due to unattended out-of-order hardware, theft, absence of teaching materials and dearth of adequately trained teachers. Infrastructure installed at the Headstart centres was inadequate to cater to the needs of the large number of students.

#### **1.5.16 Recommendations**

- Each JSK should be equipped with trained teachers, hardware in working condition and a full complement of educational CDs. For this, a comprehensive teacher's training programme and an adequate hardware maintenance arrangement should be put in place.
- Proper watch and ward of the assets of JSKs should be ensured.
- Proper monitoring of JSKs at the block and district levels should be ensured so that plans for making the non-functional centres functional can be drawn up and reviewed on a continuous basis.