# CHAPTER II

## SUBJECT SPECIFIC COMPLIANCE AUDIT

## (PANCHAYAT RAJ INSTITUTIONS)

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# SUBJECT SPECIFIC COMPLIANCE AUDIT

## RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

## 2.1 Subject Specific Compliance Audit of Chief Minister's Solar Powered Green House Scheme

**The Chief Minister's Solar Powered Green House Scheme did not make any significant impact on housing for rural poor. Failure to revise the unit cost excluded significant number of eligible poor beneficiaries from the Scheme as the houses became unaffordable to them. The annual targets for construction of houses were set without linking it with the targeted beneficiaries in the 'Participatory Identification of Poor' list. The system followed for selection of beneficiaries was flawed and the field level officers did not adhere to the Scheme guidelines. Failure of Project Director, District Rural Development Authorities to ensure supply of cement and steel on time caused delay in completion of houses and burdened the poor beneficiaries. Belated finalisation of Model Tender Document delayed the installation of solar powered LED lights in Green Houses and multiple violations of tender procedures stained the award of contracts and impacted the quality of solar photovoltaic home lighting systems supplied to the Green Houses.**

### 2.1.1 Introduction

Government of Tamil Nadu (GoTN) launched (2011) the 'Chief Minister's Solar Powered Green House Scheme' (Scheme), with an objective to provide *pucca* houses with basic amenities to all the rural poor along with Solar Photovoltaic Home Lighting System (SPVHLS). Under this free housing Scheme, three lakh Green Houses were constructed at an estimated cost of ₹5,940 crore during the five-year period 2011-16 at a unit cost[1] of ₹2.10 lakh[2] for each house. GoTN extended the Scheme for another five years (2016-21) with a target to construct 20,000 houses per year at an estimated total cost of ₹420 crore per year. For the year 2020-21, GoTN issued specific orders (August 2020) to construct 20,000 houses at an estimated cost of ₹500 crore including 8,803 houses for tribal families. GoTN changed the scope of the scheme for the year 2020-21 by withdrawing the provision for solar lights and increased the unit cost of construction to ₹2.10 lakh[3]. Further, beneficiaries of tribal families

[1] GoTN enhanced the unit cost from ₹1.80 lakh to ₹2.10 lakh from the year 2013-14.
[2] House construction: ₹1.80 lakh; Solar powered home lighting system: ₹0.30 lakh.
[3] The amount of ₹30,000, intended for installation of solar lights, was merged with the civil construction cost thereby raising the overall cost of construction to ₹2.10 lakh.

would be provided ₹3 lakh per house[4] for the same year. The construction was to be carried out by the beneficiaries themselves as per the approved type design **(Appendix 2.1)** and guidelines issued by GoTN. The Department of Rural Development and Panchayat Raj is responsible for installation of SPVHLS in the houses.

### 2.1.2 Organisational set up

The Principal Secretary to GoTN, Rural Development and Panchayat Raj (RD&PR) Department is the overall head at the Government level. The Commissioner/Director of Rural Development and Panchayat Raj is the head of the field formation. At the district level, the District Collector and ex-officio Chairman of District Rural Development Agency (DRDA) and Project Director (PD) of the DRDA are responsible for implementation of the Scheme[5]. At the block level, the Block Development Officer, Block Panchayat (BDO (BP)) and President of Village Panchayat (VP) are the executive authorities for BP and VP respectively.

### 2.1.3 Audit objectives

Audit objectives were to assess whether,

- the Department had proper procedure for identification of beneficiaries;
- the funds were provided and released on time;
- the houses were completed and installed with solar lights as per the time frame; and
- a suitable monitoring system was put in place to monitor the implementation of the Scheme.

### 2.1.4 Audit criteria

- Scheme guidelines issued by GoTN
- Tamil Nadu Transparency in Tenders Act, 1998 and Rules, 2000
- Tamil Nadu Budget Manual, and
- Orders, circulars, and instructions issued by Government.

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[4] An additional ₹90,000 over and above the unit cost of ₹2.10 lakh.

[5] DRDPR allocates the number of houses to be constructed each year in every district. At the district level, the District Collector decides the allotment of houses to the Village Panchayats.

### 2.1.5 Scope and Methodology

The Subject Specific Compliance Audit (SSCA) was conducted from December 2020 to March 2021 covering the period from April 2017 to March 2021. The relevant Scheme records were verified at the State Secretariat, Directorate of Rural Development and Panchayat Raj (DRDPR), DRDA in eight sampled districts[6], 16 Panchayat Union Offices (Blocks), and 57 VPs, wherein a total of 653 Green Houses were sanctioned during 2017-21. Samples were selected by random sampling method **(Appendix 2.2)**. Audit teams along with officials of the Department at the field level undertook Joint Physical Inspection (JPI) of the houses constructed in various habitations of the sampled VPs. A survey questionnaire was issued to the beneficiaries and details obtained were used as corroborative evidence for the observations made in this Report. An Entry Conference was held on 14 December 2020 with the Additional Chief Secretary to GoTN, RD&PR Department wherein the audit methodology, scope, objectives and criteria were explained. An Exit Conference was held on 27 July 2021 with the Principal Secretary to Government, RD&PR Department to discuss the Audit findings, and the responses provided by the Department have been accounted for in drafting the Report.

### 2.1.6 Acknowledgement

Audit acknowledges the cooperation extended by GoTN, DRDPR, sampled DRDAs, Blocks and VPs in conducting the SSCA amidst Covid-19 pandemic period.

## Audit findings

### 2.1.7 Outcomes of the Scheme

The Scheme guidelines have not provided for any mid-term evaluation of the outcomes of the Scheme in terms of its impact on providing housing to the rural poor.

Based on the data collected from the 57 sampled VPs, an attempt was made by Audit to ascertain the outcomes of the Scheme. As seen from the 'Participatory Identification of Poor' (PIP) data, which is relied upon by GoTN for rural poverty alleviation programmes, as of 2015, the sampled VPs had a total of 10,887 families living in *kutcha* houses/huts. During 2015-20, 808 houses were allotted to this Scheme and 1,740 more houses were sanctioned through other schemes[7]. As of March 2020, in the sampled villages, against the 808 houses sanctioned under the Scheme during 2015-20, only 694 were completed and 114 were in different stages of completion **(Exhibit 2.1)**.

[6] Coimbatore, Cuddalore, Dindigul, Kanyakumari, Perambalur, Salem, Tiruchirappalli and Tiruvannamalai.

[7] Indira Awaas Yojana, Indira Awaas Yojana (Special) Flood, Pradhan Mantri Awaas Yojana (Gramin) etc.

**Exhibit 2.1: Extent of coverage in sampled villages**

**Number of families in the PIP list of sampled villages as of 2015-16 - 76,304**

**Of which, number of families without a *pucca* house and eligible under the scheme - 10,887**

**Number of families allotted Green Houses during 2015-21 in the sampled villages - 1,399**

**Of which, number of non-PIP list families allotted houses during 2017-21 - 499**

(Source: Data collected from Blocks/Villages)

Thus, during the five-year period, only 7.42 *per cent* of the eligible rural poor in the sampled villages were benefitted under this Scheme, besides 16 *per cent* under other Schemes. Thus, the Scheme has not made any substantial contribution towards providing a *pucca* home to the vulnerable rural poor and had not improved their living condition.

## 2.1.8 Planning and Selection of beneficiaries

Families living below poverty line in rural areas are eligible for solar powered Green Houses. The eligibility conditions were as follows:

- Should be a resident of the Village Panchayat concerned.
- Should not own any other *pucca* concrete house in the village or elsewhere.
- Should not have been benefitted under any other housing scheme of the Government.
- Own a site of not less than 300 square feet (sq.ft.) area.
- Have a clear title for the site in the name of the head of the family or any other member of the household.

While selecting the beneficiaries from the rural poor, priority is given for the people in the PIP list depending on their vulnerability and is subjected to the approval of *Grama Sabha*.

### 2.1.8.1 Deficiencies in the system for selection of beneficiaries

As per the Scheme guidelines, a Village Level Committee (VLC) was to be constituted with the BDO, Deputy BDO and the Panchayat President as members. The VLC was responsible for the selection of beneficiaries. The selected lists of beneficiaries were to be approved by the *Grama Sabha*.

It was, however, seen that in none of the sampled Blocks, VLCs were constituted, and meetings were held to discuss and decide the list of beneficiaries. This deficiency in the envisaged system for selection of beneficiary had contributed to the selection of ineligible beneficiaries as discussed in **Paragraph 2.1.8.3**.

### 2.1.8.2 Non-conducting of survey and disproportionate allotment of houses to VPs

The Scheme was launched to benefit the poor households in the rural areas. GoTN fixed the State level targets for the number of houses to be constructed and based on that, district level and village level targets were fixed.

Audit found that the initial decision of GoTN to construct three lakh houses during 2011-16 and subsequently one lakh houses during 2016-21, was not based on any actual survey done to ascertain the district-wise population of the rural poor in need of housing. DRDPR conceded (October 2020) that neither any survey was conducted in this regard nor any proposals were received from the districts regarding the specific number of houses to be allocated. DRDPR further informed (December 2022) that houses were allotted based on a survey conducted during 2009-11 throughout the State to identify the number of households living in huts. In the survey, 15.64 lakh households living in huts were identified out of which 7.9 lakh households availed houses under various Government Schemes *viz*. PMAY, IAY, KVVT, THANE etc[8]. Department gave contradictory reply and no survey report was produced to Audit.

Audit found that the number of houses allotted to each district and the subsequent allocation to VPs was not in proportion to the number of needy rural poor households at district/VP level as per the PIP list. Audit analysis of the allotment of houses in the sampled Blocks revealed that the allotments were neither in proportion to the entire population of the respective VP nor based on the population of poor households. The number of houses allotted to the 56 sampled VPs[9] varied between 0.01 *per cent* to 0.76 *per cent* of the total population of the VP and 0.12 *per cent* to 10.39 *per cent* of the population of poor households. **(Appendix 2.3)**. This established that the allotment of houses to VPs were not prioritised among the needy, leading to disproportionate allocation of houses at district and village level.

It was further observed that the Scheme being limited only to those with atleast 300 sq.ft. of housing land, poor families without any land get excluded automatically. The Scheme guidelines and the implementation plans did not envisage provisioning of free house sites to such families, nor was any effort made to dovetail the 'Free House site scheme' implemented by the Revenue Department and Adi Dravidar Welfare Department with the housing schemes,

8 PMAY - Pradhan Mantri Awaas Yojana; IAY - Indira Awaas Yojana; KVVT - Kalaignar Veettu Vasathi Thittam; THANE - Special Housing programme to replace the damaged huts in the regions affected by THANE cyclone.

9 Except V. Kalathur in Perambalur District as the population break-up for poor/very poor category was not furnished to Audit.

as reported in the CAG's Compliance Audit Report for the year ended March 2022 (Report No. 5 of 2023).

GoTN replied (October 2021) to Audit that the allotment of houses was done by a committee. The reply, however, did not explain why the Block-wise allotment was not in proportion to the population of poor households in the Blocks and why the existing Scheme for provision of Free House Sites to poor is not dovetailed with this Scheme.

**Recommendation 1:**

**Government should put in place a system to ensure allotment of houses to Village Panchayats in proportion to the number of families in the Participatory Identification of Poor list of the respective village.**

### 2.1.8.3 Improper selection of beneficiaries

As per the Scheme guidelines of 2017-18, the rural poor who own a site of not less than 300 sq. ft. and have clear *patta* for the site/house[10] are eligible to be a beneficiary of the Scheme. As per the Scheme guidelines, the Village Level Committee (VLC) selects the list of eligible beneficiaries. As per Paragraph six of the Scheme guidelines, while selecting the beneficiaries, priority is to be given to those who are listed as 'vulnerable' in the PIP list[11] and also to certain other categories[12] of people. The selected lists of beneficiaries are approved by the concerned *Grama Sabha* based on which the BDO (BP) allocates the houses to the selected beneficiaries.

Audit scrutiny revealed that during 2017-21, 653 beneficiaries were allotted the houses in the 57 sampled VPs. Out of them, Audit found that only 154 beneficiaries (24 *per cent*) were from the PIP list and the remaining 499 beneficiaries (76 *per cent*) did not figure in the PIP list, the block-wise details of which are given in **Appendix 2.4**. Audit found that the PIP lists had a total of 10,887 eligible persons for allotment of houses. But they were excluded from coverage. To an audit enquiry regarding the reasons for exclusion of such beneficiaries from coverage, the DRDAs and Blocks did not furnish any reply.

Based on the audited sample, Audit observed that the scheme fund was utilised to benefit significant number of people other than the homeless and vulnerable, for whom the scheme was envisaged.

[10] The *patta* should be in the name of the head of the family or any other member of the household. Further, the potential beneficiary should not own any other *pucca* house in the village or elsewhere and should not have benefitted under any other housing scheme of the Government.

[11] Prepared by Tamil Nadu State Rural Livelihoods Mission and *Pudhu Vazhvu* Project.

[12] Differently abled, widows, destitute and deserted women, women headed families, Ex-servicemen and retired members of the Paramilitary forces, families having severely malnourished children, transgenders, HIV/AIDS/TB affected persons, victims of natural calamities and households having a mentally challenged person in the family.

### 2.1.8.4 Sanction of houses to beneficiaries without valid *patta*

The Scheme guidelines contemplated that the Green Houses shall be constructed either *in-situ*[13] or on the land owned by the beneficiary elsewhere in the VP. The beneficiary should possess a clear *patta*, in the name of the head of the family or any other member of the household, for their house sites. Audit scrutiny of beneficiaries' land documents in the 16 sampled blocks revealed that BDOs issued work orders without ensuring *patta* in respect of 429 beneficiaries[14] (66 *per cent*) out of the total 653 beneficiaries in the sampled VPs during 2017-21. Documents such as joint *patta*, sale deed, partition deed, gift deed and even documents in the name of other persons other than the beneficiary and his/her spouse were accepted. Further, in respect of 20 beneficiaries, no document was available to establish the ownership of the land on which the house is constructed.

Thus, the BDOs (BP) failed to ensure that the house could be occupied by the beneficiary without any encumbrance in the future.

GoTN replied (October 2021) that in most cases, house site *pattas* were collected from the selected beneficiaries. However, in some instances, households with registered documents of ownership were given sanction. Government's reply was not acceptable as availability of *patta* is an essential condition under the Scheme.

### 2.1.8.5 Allotment of houses to non-resident beneficiaries

The primary eligibility for a beneficiary is that he/she should be a resident of the VP concerned. Audit scrutiny of the beneficiaries' documents collected as proof of their address such as, copy of voter identity card, Aadhaar Card and family card, etc., revealed that 20 beneficiaries[15] in two sampled blocks of Salem district were not residents of the VPs in which they were sanctioned the solar powered Green Houses during 2017-21. Despite this, work orders were issued to them. The formation of a Village Level Committee could have ensured that the beneficiaries were residents of the village, thus preventing this lapse.

GoTN replied (October 2021) that the non-resident beneficiaries, pointed out by Audit, had owned lands in the village, and had temporarily migrated out of their villages. Audit, however, found that these beneficiaries did not possess any document such as Aadhaar card, voter ID, family card etc., to establish that they were bonafide residents of the village. GoTN's reply that they owned land in the village, was not an acceptable criterion for sanction of houses to them.

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13 By replacing his/her existing dwelling structure.

14 Joint *patta*-62; Sale deed, partition deed, settlement/gift deed in the name of beneficiary/spouse-173 and Documents in the name of persons other than the immediate family-194.

15 Ayothiyapattinam Block (Aachankuttapatti-4; M. Perumapalayam-2; Aladipatti-2; Anuppur-1; Kootathupatti-1 and Sukkampatti-1); Omalur Block (Kottamariyammankoil-2; Kottamettupatti-2, Naranampalayam-1; Thumbipadi-2; Mankuppai-1 and Vellalapatti-1).

### 2.1.8.6 Non-ensuring allotment of houses to differently abled persons

As per the Scheme guidelines, three *per cent* of the district-wise allocation should be reserved exclusively for differently abled persons, which was increased to four *per cent* from the year 2019-20. In the sampled eight districts, against the targeted allotment of 816 houses (from 2017-18 to 2020-21) to the differently abled, only 227 houses (28 *percent*) were allotted. The shortfall of allocations in the sampled districts ranged between 64 *per cent* and 95 *per cent*. Audit, however, found that the DRDAs did not have an updated list of eligible differently abled persons.

The DRDAs of sampled districts stated that no survey was conducted to assess the number of eligible differently abled persons under the Scheme in their districts. GoTN replied (October 2021) that some of the disabled beneficiaries were not willing to construct houses by themselves and hence the houses earmarked for them were diverted to others. The reply shows that the Block level officers, instead of ensuring the Scheme benefits to these disadvantaged sections of the society, diverted their houses to others. Such diversions were approved in routine manner without finding ways to use the Scheme to construct houses for the differently abled who are not able to carry out construction despite availability of Scheme funds.

### 2.1.8.7 Allotment of houses to the persons not approved by *Grama Sabha*

The Scheme guidelines provided that beneficiaries should be selected from the poor people living in a VP and final list of such beneficiaries should be approved by the *Grama Sabha*. It was, however, noticed that in 27 VPs out of 57 selected VPs, (47 *per cent*) allotment of houses to 135 persons **(Appendix 2.5)** was made by the BDOs without the approval of the *Grama Sabha* resolution of the respective VPs. This showed that BDOs had actual control and were able to override the *Grama Sabha*s in selection of beneficiaries despite the responsibility vested with them.

In their reply (October 2021), GoTN explained the procedure followed for allotment of houses, but did not explain the reasons for the allotment of houses to 135 persons in 27 VPs which was pointed by Audit.

**Recommendation 2:**

**The Government should order an enquiry into the issue of ineligible beneficiaries getting Scheme benefits and ensure that BDOs are made accountable for the lapses in the selection of beneficiaries. Government should ensure a transparent mechanism for selection of beneficiaries.**

### 2.1.8.8 Adoption of impractical unit cost

The unit cost of ₹1.80 lakh for construction (2013), based on Public Works Department (PWD) Schedule of Rates (SoR) was applicable for 2013-14. The unit cost was not revised till 2019-20 though the cost of construction materials was steadily increasing and the SoR for other building works of the Department were being revised from time to time. Further, in hilly areas, there is an increased cost for conveyance of materials by road on hills. To alleviate this extra cost, PWD's SoRs allow extra percentage for various hilly areas in the State, ranging from 20 *per cent* to 50 *per cent,* over the prescribed rates of materials. Such admissible extra rates were also not contemplated in the Scheme guidelines for fixing the unit cost for construction of houses in the hilly areas.

Non-revision of the unit cost and non-inclusion of extra costs for hilly areas put undue financial burden on the beneficiaries. As seen from PWD's SoRs, the price of major construction materials like sand for the mortar, bricks, and cement, increased by 306 *per cent*, 49 *per cent* and 11 *per cent* respectively between 2012-13 and 2019-20. This shows the failure of the Government in not revising the unit cost, despite the intention of the Scheme to fully finance construction of these houses. The beneficiary survey conducted in the sampled VPs revealed that the beneficiaries could not complete the houses sanctioned to them within the unit cost for construction of house. They stated that they had to pledge their belongings, borrow from friends or relatives and money lenders at higher rates of interest, etc., to meet the rising cost of construction.

During scrutiny of files pertaining to the period of Audit coverage in sampled blocks, Audit noticed 112 beneficiaries (17 *per cent*) out of the 653 originally selected beneficiaries declined the offer after issuance of work orders citing family circumstances and other financial commitments. Hence, the Blocks, to fulfil the set target, substituted the selected beneficiaries with other persons not in the selected list. The selected beneficiaries expressing unwillingness to avail the Scheme benefits show that many beneficiaries were apprehensive of completing the house within the sanctioned unit cost.

It is pertinent to state that, for the houses to be built in the year 2020-21, GoTN issued (August 2020) orders raising the overall cost of construction from ₹1.80 lakh to ₹2.10 lakh per house[16]. Further, for the Tribal beneficiaries, a sum of ₹90,000 was to be provided in addition to the ₹2.10 lakh, thereby raising the unit cost of each house for Tribal beneficiary to ₹3 lakh. This corroborates the Audit contention that the unit cost should have been revised at regular intervals to ease the additional financial burden to the rural poor.

Thus, non-revision of unit cost, deprived the poor of having a dwelling of their own as they were reluctant to accept the Scheme and only those who could afford to incur additional expenditure through savings or borrowings had a realistic chance of completing the houses, as commented in **Paragraph 2.1.9.2**.

GoTN replied (October 2021) to Audit that the overall cost of construction has been raised from ₹1.80 lakh to ₹2.10 lakh per house. Audit, however, observed that there was no increase in the overall cost as the reported increase of cost of construction to ₹2.10 lakh per house was by subsuming ₹30,000 intended for installation of solar lights. Thus, the reply did not address the issue of periodical revision of the cost of construction.

[16] By merging the amount of ₹30,000 intended for installation of solar lights.

**Recommendation 3:**

**The unit cost of the Green Houses should be revised periodically to ensure that aim of the Scheme to finance the construction fully could be achieved.**

### 2.1.8.9 Deviation from Scheme objective

The objective of the Scheme, *inter alia*, was to popularise and encourage the use of green energy by installing SPVHLS. The houses with solar lights are expected to lead the rural population in using green energy with the larger objective of attaining the Sustainable Development Goal of 'Ensuring Access to Affordable, Reliable, Sustainable and Modern Energy'.

It was, however, seen that while revising the Scheme guidelines in 2021, GoTN withdrew the financial component for solar light and therefore the houses could not be called Green Houses and one of the main objectives of the Scheme was lost.

## 2.1.9 Finance

The DRDPR draws the annual allocation for the Scheme in two half-yearly instalments and releases it to the DRDAs of the districts[17] for further release to the respective BDOs[18]. At the Block level, the amount is released to the beneficiaries' bank accounts after deducting the amount towards cement, steel etc., if supplied to the beneficiaries. The payment to installers of Solar home lighting system is made by the Collector/Chairman, DRDA at the district level.

### 2.1.9.1 Belated and short release of funds by GoTN

The budgetary support required for construction of 20,000 houses per annum at a unit cost of ₹2.10 lakh was ₹420 crore per year. An analysis of the fund sanctioned during 2017-22, the details of which are given in **Table 2.1**, revealed that there was significant delay in release of funds and non-release of funds in full for the sanctioned houses.

**Table 2.1: Release of funds during 2017-22**

**(₹ in crore)**

| Year of sanction | Sanction of Funds and purpose of utilisation | Amount sanctioned |
|---|---|---|
| 2017-18 | Construction of houses sanctioned in 2016-17 | 210.00 |
| | Construction of houses sanctioned in 2015-16 | 124.58 |
| | Payment to TEDA[19] for 2011-16 | 85.42 |
| | **Sub Total** | **420.00** |
| 2018-19 | Construction of houses sanctioned in 2017-18 | 138.45 |
| | Construction of houses sanctioned in 2018-19 | 210.00 |
| | Payment to TEDA for 2011-16 | 71.55 |
| | Construction of houses sanctioned in 2018-19 | 281.55 |
| | **Sub Total** | **701.55** |

[17] At the district level, two savings bank accounts are maintained for the Scheme - one for civil works and the other exclusively for solar lights.

[18] At the Block level, a separate savings bank account is maintained for payment towards cement, steel, etc., and the other for payment towards beneficiaries.

[19] Tamil Nadu Energy Development Agency.

| Year of sanction | Sanction of Funds and purpose of utilisation | Amount sanctioned |
|---|---|---|
| 2019-20 | Construction of houses sanctioned in 2018-19 | 239.00 |
| | Construction of houses sanctioned in 2019-20 | 181.00 |
| | **Sub Total** | **420.00** |
| 2020-21 | Construction of houses sanctioned in 2019-20 | 180.00 |
| | Construction of houses sanctioned in 2020-21 | 289.22 |
| | Installation of solar lights - 2016-17 | 30.00 |
| | **Sub Total** | **499.22** |
| 2021-22 | Construction of houses sanctioned in 2020-21 | 210.01 |
| | Installation of solar lights - 2016-17 | 30.00 |
| | Installation of solar lights - 2017-18 | 58.99 |
| | **Sub Total** | **299.00** |
| | **Grand Total** | **2,339.77** |

(Source: Records of DR&DPR)

As seen from **Table 2.1**, out of a total amount of ₹2,339.77 crore released during 2017-22, an amount of ₹551.55 crore[20] (24 *per cent*) was for houses sanctioned before 2017-18. Similarly, for the houses sanctioned during 2017-21, there was delay in sanction of funds amounting to ₹826.45 crore[21] wherein the funds were sanctioned during the years subsequent to the year of sanction of houses.

In November 2020, DRDPR reported to GoTN that all the houses sanctioned up to the year 2018-19 were completed, and in respect of the 20,000 houses sanctioned during the year 2019-20, 12,636 (63.18 *per cent*) were completed as of October 2020. Audit, however, calculated that the fund released up to October 2020 (₹140 crore) was sufficient to cover construction of only 6,666 houses out of the 20,000 houses sanctioned during 2019-20. Thus, it was observed that the physical progress was incorrectly presented to GoTN as discussed in **Paragraph 2.1.14.2**.

Thus, due to delayed release of funds, expenditure on houses sanctioned in a particular year were incurred over a five-year period, indicating sluggish financial progress.

### 2.1.9.2 Delay in Stage-wise payments to the beneficiaries

As per the Scheme guidelines, after deducting the cost of cement and steel supplied to the beneficiaries, the balance amount was released to the beneficiaries' bank account as commented in **Paragraph 2.1.9**, through ECS/cheque[22]. From 2020-21 onwards payments were made through PFMS. The payment to the beneficiaries is done in four stages *viz.,* (i) basement level, (ii) lintel level, (iii) roof laid stage and (iv) on completion. The Block level engineers are to inspect, measure and certify the works done at every level to enable timely payments to the beneficiaries and to ensure timely completion of works.

20 2017-18: ₹420 crore; 2018-19: ₹71.55 crore; 2020-21: ₹30 crore and 2021-22: ₹30 crore.

21 2018-19: ₹138.45 crore; 2019-20: ₹239 crore; 2020-21: ₹180 crore and 2021-22: ₹269 crore.

22 Through ECS/PFMS with effect from 2019-20.

It was found that during the period 2017-21, out of 3,439 beneficiaries who had completed their houses in 16 sampled blocks, only 1,686 beneficiaries (49 *per cent*) received their first instalment at basement level and the remaining 1,753 beneficiaries (51 *per cent*) received the first instalment after much delay, as shown in **Table 2.2** and the Block-wise details are given in **Appendix 2.6**.

**Table 2.2: Delayed release of first instalment**

| Period | Total number of beneficiaries received payment in sampled Blocks | Number of beneficiaries who received their first payments at different stages | | | |
|---|---|---|---|---|---|
| | | Basement stage | Lintel stage | Roof stage | Fully completed |
| 2017-21 | 3,439 | 1,686 | 936 | 722 | 95 |
| | **Percentage** | ***49*** | ***27*** | ***21*** | ***3*** |

(Source: Data furnished by BDOs of sampled Blocks)

Based on beneficiary survey, Audit observed that non-release of eligible payments at the appropriate stage of construction resulted in delay in the completion of houses, as the beneficiary himself/herself had to find resources to continue with the construction.

Failure to carryout timely inspection and timely payment went against the Scheme guidelines and burdened the beneficiaries.

GoTN replied (October 2021) that there was no intentional delay and contended that there were no specific instructions on stage-wise payment. The reply is not acceptable as GoTN, through its order dated 10 July 2013 made it mandatory for valuation of the ongoing constructions at four stages before making payment to the beneficiaries. This was also reiterated in the fresh guidelines issued in August 2020 for the implementation of the scheme in 2020-21.

### 2.1.9.3 Irregular deduction of Labour Welfare Fund from beneficiaries

As per GoTN's orders (September 2010), Labour Welfare Fund (LWF), building licence fees, etc., should not be deducted from the beneficiaries as the beneficiaries themselves were involved in the construction of houses.

Audit, however, noticed that in eight Blocks out of the 16 sampled Blocks in four districts[23], ₹1,800, ₹2,100 and ₹3,000 (being one *percent* of amount sanctioned) was deducted from each beneficiary as LWF[24] resulting in a short release of grants to the tune of ₹1.17 crore to beneficiaries, the details of which are given in **Table 2.3**.

[23] LWF deducted from the amount payable to the beneficiaries in Coimbatore, Dindigul, Perambalur and Tiruchirappalli. However, LWF was not deducted in Salem, Tiruvannamalai, Cuddalore and Kanyakumari Districts.

[24] Being one *per cent* of the total amount payable (₹1.8 lakh) towards civil construction.

**Table 2.3: Details of Labour Welfare Fund deductions for 2017-21**

| District | Number of beneficiaries | Amount deducted towards LWF (₹in lakh) | Amount remitted into Labour Welfare Board (₹in lakh) | Amount retained by the Blocks (₹in lakh) |
|---|---|---|---|---|
| Coimbatore | 1,996 | 39.93 | 26.90 | 13.03 |
| Dindigul | 1,988 | 35.74 | 9.19 | 26.54 |
| Perambalur | 783 | 14.52 | 13.62 | 0.90 |
| Tiruchirappalli | 1,562 | 26.33 | 11.29 | 15.04 |
| **Total** | **6,329** | **116.52** | **61.00** | **55.51** |

(Source: Details furnished by the DRDAs and Blocks)

In other districts, LWF was not deducted from the beneficiaries.

It is pertinent to mention that similar issue in respect of other housing schemes[25] of GoTN was pointed out in C&AG's Audit Report for the year ended 31 March 2015 (**Paragraph 3.1.7.1**), and GoTN had issued order to refund the amount to those beneficiaries.

GoTN replied (October 2021) to Audit that instructions were issued not to deduct money towards LWF and to refund the money already deducted towards the Labour Welfare Board.

**Recommendation 4:**

**The Government should ensure timely release of funds to beneficiaries and stop deductions towards Labour Welfare Fund from the beneficiaries. Money already recovered should be returned to the beneficiaries.**

## 2.1.10 Execution of works

### 2.1.10.1 Significant deviation of type design

The Scheme guidelines specified that the exclusive type design prescribed for the Scheme should be followed and the extent of construction should not exceed the permissible plinth area of 300 sq.ft.[26]. Besides, uniformity in the design was to be followed by the beneficiaries. However, minor changes in type design[27] are permitted without altering the total plinth area. Further, PDs of DRDAs, Executive Engineers (RD) and Assistant Executive Engineers (RD) should frequently inspect the progress in the construction of the houses and to ensure that there is no deviation from the approved type design.

Audit, however, found that 332 (63 *per cent*) of the completed houses in the sampled VPs were having a plinth area of 300 to 600 sq. ft. and 54 houses (10 *per cent*) had a plinth area of more than 600 sq.ft. **(Table 2.4)**.

[25] Indira Awaas Yojana, Jawaharlal Nehru National Urban Renewal Mission schemes etc.

[26] Area details: (a) Living room-97 sq.ft.; (b) Bedroom-71 sq.ft.; (c) Kitchen-46 sq.ft.; (d) Toilet-18 sq.ft. and (e) Wall area-68 sq.ft.

[27] Such as shifting of kitchen room or bedroom to another direction, etc.

This indicated the sound economic conditions of the beneficiaries though the Scheme aimed at providing for the poor.

**Table 2.4: Plinth area wise details of sampled beneficiaries who constructed their houses**

| Plinth Area | Within 300 sq. ft. | Between 301 to 600 sq. ft. | Between 601 to 1200 sq. ft. | Above 1201 sq.ft. | Total |
|---|---|---|---|---|---|
| Number of beneficiaries who constructed houses | 142 | 332 | 51 | 3 | 528 |
| **Percentage** | *26.89* | *62.88* | *9.66* | *0.57* | *100* |

(Source: Joint physical inspection)

During JPI, Audit further noticed the following:

- Eighty-eight beneficiaries out of 653 (13 *per cent*) beneficiaries allotted houses during 2017-21 had expanded their houses into large dwelling units with additional rooms, floor and parking slot for four wheelers. An illustrative case is given in **Exhibit 2.2**.
- Besides the above, 25 houses in 19 VPs[28] were undergoing horizontal and/or vertical expansion.
- In 16 instances[29], though the exterior appearance was similar to that of Green Houses and the houses were seen with Green House logo on them, the extent of construction was more than the permissible plinth area and were with additional rooms, halls, *pooja* rooms, etc.

These cases serve as a pointer to the fact that beneficiaries identified were not rural poor but wealthy people who misused this Scheme to amass property and wealth. This also established the audit findings in **Paragraphs 2.1.8.1** and **2.1.8.3** that there were lacuna in the system of selection of beneficiaries on account of non-formation of VLC and not prioritising the needy people from the PIP list. Ineffective monitoring by the district authorities also contributed to this violation, as commented in **Paragraph 2.1.14.1**.

[28] (i) Alundur-1, (ii) Chettikulam-1, (iii) Chikkadasampalayam-2, (iv) Devarayapuram-2, (v) Elanthalapatti-2, (vi) Kottaiyur-1, (vii) Kottamettupatti-1, (viii) M. Perumapalayam-1, (ix) N. Panjampatti-2, (x) Paganur-1, (xi) Pasumbalur-1, (xii) Sathanoor-1, (xiii) Sethurapatti-1, (xiv) Sukkampatti-1, (xv) Thathamangalam-1, (xvi) Theerampalayam-3, (xvii) Thiruvandipuram-1, (xviii) V. Kalathur-1 and (xix) Vellimalaipattinam-1.

[29] (i) A. Kalayamputhur - 3, (ii) Chikkadasampalayam - 2, (iii) Irungalur - 1, (iv) Kottamettuppatti - 1, (v) N. Panjampatti - 5, (vi) Thathamangalam - 1, (vii) Theerampalayam - 1 and (viii) Tholampalayam -2.

**Exhibit 2.2: Green House as per type design and an enlarged house**



(Source: Photograph by Audit Team during JPI)

The Principal Secretary to Government, during the Exit Conference, assured (July 2021) that such cases would be viewed very seriously.

### 2.1.10.2 Non-construction of toilets in Green Houses

In the approved type design, 18 sq.ft. was allocated for toilet. In addition to the unit cost, as a convergence measure, a sum of ₹12,000 is provided to every beneficiary for construction of Individual Household latrine[30] under MGNREGS and to eradicate open defecation. It was, however, noticed that during the period 2017-21, toilet was not constructed in the Green Houses constructed by 105 beneficiaries (20 *per cent*) in 31 out of the 57 sampled VPs comprised of 12 sampled Blocks **(Appendix 2.7)**.

GoTN replied (October 2021) that instructions have been issued to complete toilets wherever left out. Audit, however, observed that in cases wherein payment had already been released, it would not be possible to compel the beneficiary to complete the toilets, which should have been completed along with the house. Failure to ensure construction of toilets defeated the objective of eradication of open defecation.

### 2.1.10.3 Non-provision of rain water harvesting in Green Houses

As per Paragraph 3 of the Scheme guidelines, each house should have a provision for rainwater harvesting. All the 528 houses were visited during the JPI in all the 57 sampled VPs and noticed that none of the completed houses in the sampled VPs had made proper provision for rainwater harvesting with percolation pit thereby defeating one of the objectives of the Scheme.

GoTN replied (October 2021) that all the VPs are instructed to ensure the construction of rainwater harvesting by the beneficiaries.

### 2.1.10.4 Non-occupation of the Green Houses by the beneficiaries

The main objective of the Scheme was to facilitate rural poor people living in *kutcha* houses or those having a 300 sq.ft. extent of land to construct their own concrete roofed houses which would improve their standard of life. During JPI,

[30] An important component of 'Swachh Bharat Mission (Gramin)'.

in four instances, the houses constructed by the beneficiaries were let out to others after construction. This proved that the houses were allotted to those who did not need them.

GoTN replied (October 2021) that those other than beneficiaries were removed from the houses. Notwithstanding the action taken on specific cases pointed out by Audit, the larger issue of allotment of houses to beneficiaries who are not in need remains to be addressed.

### 2.1.11 Supply of materials

The Scheme guidelines provided that PDs of DRDAs should procure and supply 114 bags of cement[31] and 300 kg of steel to each beneficiary. The cost price of these materials, initially met by DRDAs, is to be adjusted from the assistance to be released to the beneficiaries. The PD, DRDAs[32] placed supply orders for cement bags on Tamil Nadu Cements Corporation, a public sector undertaking of GoTN and called for quotations for procuring steel. The procured materials are supplied to the beneficiaries through the BDOs (BP).

Scrutiny of records connected with supply of cement and steel disclosed the following:

- During 2017-20, the short supply of cement bags in sampled districts ranged between 21.21 *per cent* (Salem) and 84.64 *per cent* (Kanyakumari). In case of steel, the short supply ranged between 47.74 *per cent* in Tiruchirappalli district and 100 *per cent* in Cuddalore district, where all the beneficiaries had to procure steel on their own. For the year 2020-21, all the beneficiaries in eight sampled districts were to procure steel on their own as Department did not supply to them. The PD, DRDAs did not furnish any specific reasons for short procurement of the vital construction material. Audit, however, found that lack of a well-defined system to assess periodical requirement and linking it with procurement schedule was attributable to the short supply of cement and steel.
- During JPI in the sampled VPs, beneficiaries informed Audit that they had not received the full assured quantity of cement bags and steel throughout the period of construction due to unavailability of sufficient stock in the Block office at the requisitioned time and hence they had to rely on open market supply, usually at a higher cost.
- Audit computed the approximate additional expenditure[33] borne by the beneficiaries on account of non-supply of cement departmentally in respect of the sampled blocks during 2017-20, which worked out to ₹84.86 lakh.

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31 Arranged through Tamil Nadu Cements Corporation Limited, a wholly owned GoTN undertaking. In addition to that, as per GoTN's instructions (February 2014), the beneficiaries should also be supplied cement under Amma Cement Supply Scheme.

32 Except in Coimbatore district, where the BDOs (BP) placed the orders.

33 The approximate difference between the price of cement at market rate and Tamil Nadu Cements Corporation Limited.

Thus, the failure on the part of the PD, DRDAs to assess the quantum of cement and steel and schedule procurement and supply accordingly had resulted in hardship to beneficiaries as they had to incur extra expenditure on purchases from open market. Audit also observed that it was one of the reasons for delay in completion of houses, as discussed in **Paragraph 2.1.9.2**.

GoTN, in its reply (October 2021) argued that non-supply of cement and steel would not affect the pace of construction as the beneficiaries themselves purchased cement and steel from open market. The reply is untenable as the objective of departmental supply of cement and steel was to lessen the financial burden on the beneficiary, so that the pace of construction would not be affected due to financial constraints.

**Recommendation 5:**

**Government should ensure that Project Directors of DRDAs initiate proactive action in estimating periodical requirement of cement and steel and ensure supply of these vital building materials on time to all beneficiaries. BDOs should be made accountable for lapses in arranging building materials on time.**

## 2.1.12 Installation of Solar PhotoVoltaic home lighting system

With a view to promote green energy, GoTN contemplated to install Light Emitting Diode (LED) based Solar Photovoltaic Home Lighting System (SPVHLS) in every house[34] under the Scheme. During 2011-15, Tamil Nadu Energy Development Agency (TEDA) was implementing the SPVHLS component of the Scheme. From 2016-17 onwards, citing poor performance of TEDA, GoTN made PD, DRDAs responsible for execution of SPVHLS in their respective districts. PD, DRDAs call for tenders for procurement of LED based SPVHLS. A District level committee[35] approves the tender and oversees installation of SPVHLS in beneficiaries' houses. The District Collector/Chairman DRDA issues the work order and execute the agreement with the successful tenderer.

During scrutiny of records relating to procurement and installation of SPVHLS at Secretariat, DRDPR and sampled DRDAs and Blocks, Audit observed the following:

[34] Components of SPVHLS: photo voltaic module, lamps, battery bank and other components. Every house was to be provided with five LED lamps, one each in bedroom, living room, kitchen, toilet and verandah. Each beneficiary is also given the option to have a metered electric connection.

[35] Comprising of (a) District Collector/Chairman DRDA - Chairman; (b) PD, DRDA - Vice Chairman; (c) Executive Engineer (Rural Development) - Member; (d) Executive Engineer (TANGEDCO) nominated by Superintending Engineer (TANGEDCO) - Member and (e) Assistant Project Officer (Housing and Sanitation) - Member Secretary.

### 2.1.12.1 Delay in finalisation of model tender document

In May 2018, DRDPR requested GoTN to constitute a Technical Committee to finalise the technical specifications of SPVHLS. GoTN constituted a Technical Committee in August 2018. The Technical Committee, headed by the Superintending Engineer (RD), DRDPR prepared a model tender document in October 2018. GoTN, after a delay of nine months approved the model tender document in August 2019. On approval of model tender document, DRDPR invited (August 2019) tenders centrally for installation of SPVHLS in all the completed houses sanctioned between the years 2016-19. Technical/Financial bids received at the districts were opened in October and November 2019 and work orders were issued by the respective PDs to the supplier firms.

Audit observed that the model tender document, which was a pre-requisite to call for tender should have been finalised in 2016-17 itself, as TEDA ceased to be associated with SPVHLS by March 2016. It was, however, seen that the Department, despite taking over the task citing poor performance of TEDA, did not act coherently leading to delay in finalising the model tender document. The unexplained delay of over three years in finalising model tender document had cascading effect in procuring and supplying SPVHLS to Green Houses and had ultimately impacted the outcome of the Scheme as discussed in the succeeding paragraphs.

GoTN stated (October 2021) that finalisation of model tender document got delayed due to additional time taken for identification of experts in the field of renewable energy, setting up of committee etc. Audit, however, observed that the delay of three years was unjustified.

### 2.1.12.2 Deficiencies in installation of SPVHLS

The tender eligibility criteria stipulated that the components of the SPVHLS should conform to the standards prescribed by Ministry of New and Renewable Energy (MoNRE) of the Government of India. The bids should indicate the specification and brand names of all major components, and at the time of tender opening, the bidder should produce the test reports for system as well as certificates from MoNRE approved test centres for individual components. Further, any modification in the brand of the components to be used could be allowed only with the written permission of the District Collector. Any such change of components should be allowed, provided those components had been certified by laboratories approved by MoNRE or National Accreditation Board for Testing and Calibration Laboratories for compliance to the stipulated technical specifications.

Further, before settlement of 90 *per cent* of bill amount, a certificate for receipt, installation, and commissioning of SPVHLS was to be issued jointly by the

BDO (BP) and Assistant Engineer/Block Engineer of the Block and TEDA Engineer of the District after due inspection. The balance 10 *per cent* of the value of bill retained towards comprehensive maintenance should be released on completion of five years.

Scrutiny of files relating to installation of SPVHLS in the sampled districts revealed the following:

### *(a) Approval of bids without valid test reports*

The PD, DRDA of Coimbatore district, through tender (October 2019), finalised a bidder for supply of SPVHLS and issued purchase orders on 10 January 2020. On a scrutiny of tender files and test reports furnished by the successful bidder, it was noticed that the selected firm did not have valid test reports/certificates for the components of its system at the time of bid opening. The firm approached a MoNRE approved testing centre and got test certificate only on 28 August 2020.

Audit observed that according to the tender conditions, the technical bid of the selected bidder ought to have been rejected for not having the mandatory test reports/certificates. It was, however, seen that the tender evaluation was made by incorrectly certifying that the bidder had submitted the requisite test reports/certificates. Thus, an ineligible firm was accorded preferential treatment by incorrect certification of eligibility.

Similarly, the test report for photo voltaic module, submitted by the successful bidder for supply of SPVHLS to Cuddalore District was invalid at the time of tender evaluation. The PD, DRDA did not reject the bid.

Further, Audit found that test reports for four components of SPVHLS, produced by selected bidders in four[36] districts were more than three years old. As no time limit was fixed for validity of such test reports, the PD, DRDAs routinely accepted the bids. Audit observed that GoTN should have fixed a time limit for validity of such test reports to ensure quality of components.

GoTN replied (October 2021) that the successful bidder in Cuddalore District had submitted the test certificate and test reports for all components which are also updated in their website periodically and conform to the standard mentioned therein. Audit, however, reiterates that the certificates were not valid at the tender evaluation stage.

### *(b) Improper acceptance of change of components*

As per tender conditions, the successful bidder should supply the same components, which were quoted in the bid documents and approved for supply. In case of any change in brand or specification, it should be based on suitable test report/certificate and approved by the District Collector.

[36] Cuddalore, Dindigul, Kanyakumari and Salem.

Scrutiny of records in DRDAs of Dindigul and Tiruchirappalli districts disclosed change of approved components of SPVHLS by the supplier and improper acceptance by PD, DRDAs as discussed below:

- In Dindigul District, the supplier changed four components *viz.,* Battery, Charge Control Unit, LED Luminaire and photo voltaic Module, which were offered in the bid documents along with the test reports. Test reports of the changed components, furnished by the supplier, were reportedly verified by the Assistant Engineer/TEDA and found to be of the required standards. It was, however, noticed that the test report furnished by the supplier for the Battery was not issued by a MoNRE approved testing centre and the report was also interim in nature. The final report involving the 'endurance test' was not furnished by the supplier firm. Thus, the action of PD, DRDA, Dindigul in permitting the supplier firm to change the component was in violation of the prescribed procedure.
- In Tiruchirappalli District, as seen from the Inspection Reports of the Assistant Engineer/TEDA, two of the components supplied by the supplier were different from the components offered at the bid stage and approved for supply[37]. The supplier had neither made any representation to the District Collector for change of components nor furnished valid test reports for the changed components. It was further noticed that the test report was invalid at the time of bid acceptance itself. As of March 2021, DRDA paid ₹2.23 crore to the supplier firm for installation based on the work completion reports furnished by the BDOs, Assistant Engineer of the respective Blocks and Assistant Engineer/TEDA, without any comment being made by them about the change of components. Further, it was noticed from the Inspection Reports of AE/TEDA that physical inspection was conducted only in 92 houses out of 864 houses for which payment was made.

GoTN replied (October 2021) that the District Collector had approved the change of components. But the records produced to Audit did not indicate any such approval.

### *(c) Irregular payment of ₹54.73 lakh to suppliers*

As per the tender conditions, 90 *per cent* of the contract value was to be paid to the supplier within 15 days of installation and inspection of SPVHLS in the Green Houses. The balance 10 *per cent* was to be paid only after completion of the five-year mandatory maintenance period. Audit found that three out of the eight sampled districts did not follow this tender condition as discussed below:

[37] Exide batteries in place of Luminous and Crompton Charge Control Unit, in place of Elecssol.

- PD, DRDAs of Perambalur and Tiruvannamalai districts failed to adopt the standard model form of contract provided in the model tender document approved by Government. The clause relating to mandatory deduction of 10 *per cent* from the bill towards five-years comprehensive maintenance period was not included in the agreement. Consequently, both these officers paid 100 *per cent* of the contract value without withholding 10 *per cent* towards five-year maintenance to supplier. The reasons for non-inclusion of the said clause were not furnished to Audit. Thus, there was no withholding of ₹20.27 lakh (Perambalur) and ₹8.06 lakh (Tiruvannamalai) from the bills of suppliers towards five-years comprehensive maintenance period.
- The PD, DRDA, Dindigul, deducted only five *per cent* towards five-year maintenance despite having a clear contract agreement providing for withholding 10 *per cent* for five years. Specific reasons for such deviation was not on record. Short deduction by PD, DRDA, Dindigul was ₹26.40 lakh.

Thus, PDs of three DRDAs extended undue favor to the supplier for ₹54.73 lakh for supply of SPVHLSs. Further, irregular decision to release full payment/95 *per cent* payment would impact the quality of mandatory maintenance by the supplier as the PD, DRDAs would be unable to withhold payment on poor maintenance by the supplier.

GoTN replied (October 2021) that 10 *per cent* towards maintenance deposit would be recovered from future payments. The reply, however, was not clear on why 10 *per cent* towards deposits was not recovered.

### *(d) Non-setting up of Block level service centre by supplier firms*

As per the Scheme guidelines, the supplier was to establish a service centre at Block level and impart trainings to the Panchayat Presidents, Panchayat Secretaries, selected Self-Help Group members and other local functionaries on maintenance of SPVHLS. It was, however, noticed that suppliers had not set up Block level Service Centre in any of the sampled Blocks, nor any training was conducted at village level, as stipulated in the guidelines. The agreement included a clause for maintenance of SPVHLSs for five years. The PD, DRDAs, however, also failed to insist the supplier firms to establish service centres at Block level.

While interacting with the beneficiaries in sampled villages, it was noticed that they were not aware of the details of persons to be contacted in case of faults/repair in the SPVHLS. Further, during JPI (March 2021) in two sampled blocks *viz.,* Mannachanallur and Manikandam, it was noticed that the supplier had not fixed all the five bulbs in six houses and bulbs were not functioning in two houses. Seven beneficiaries in Manikandam Block reported that system stopped functioning within a short span of time from the date of installation. The beneficiaries could not contact the installation agencies as the pamphlet handed over by the supplier at the time of installation did not carry any phone number to contact.

GoTN replied that Block Level Service Centres were set up by the suppliers in Tiruvannamalai District. The reply could not be verified by Audit in the absence of any supporting documents.

Thus, Audit observed that the field level implementing officers failed to ensure trouble free functioning of SPVHLSs in Green Houses.

**Recommendation 6:**

**Government should ensure that an enquiry is initiated on tender violations in the procurement of SPVHLSs and responsibility should be fixed for the lapses.**

### 2.1.13 Environmental impact of delay in installation of SPVHLS

The Scheme aimed at fulfilling the housing requirement of the rural poor and promoting green energy through SPVHLS. The SPVHLS was designed to produce 0.4 units of electricity per day with 12 V battery and the monthly expected electricity production would be 12 units. Due to delay in finalisation of model tender document, procurement and installation of SPVHLSs got delayed and the houses sanctioned and completed during 2016-17 to 2018-19, got SPVHLSs only between January and May 2020.

Solar energy, being a renewable source of energy, benefits the society on the whole by reducing carbon dioxide emissions. Due to delay/non-installation of solar system in Green Houses, there was a loss of production of solar energy in the completed houses and to that extent the Green Houses would have consumed electricity from the grid.

Thus, the delay in supply of SPVHLSs had contributed to an estimated additional generation of environmentally dangerous greenhouse gases of 587.44 MT[38].

GoTN replied (October 2021) that the calculation by Audit is based on ideal conditions. It is true that the calculation is based on ideal conditions and it is only an estimate. The fact, however, remained that one of the objectives of Green Houses to promote green energy, was not fully achieved and ideal conditions were expected to be achieved.

### 2.1.14 Monitoring and evaluation

The Scheme guidelines had inbuilt monitoring system. The deficiencies in the monitoring mechanism prescribed by GoTN and adopted by the implementing authorities at the sampled districts and blocks are discussed below:

#### 2.1.14.1 Ineffective monitoring by the authorities concerned

The Scheme guidelines required the District Collector to review the progress of the construction of houses as well as the installation of SPVHLS. The PD, DRDA and BDO (BP) were responsible for proper implementation and monitoring of the Scheme at district/block level respectively.

[38] In four districts, *viz*., Cuddalore, Kanyakumari, Perambalur and Tiruvannamalai.

Instances of lapses in monitoring are discussed below:

- During JPI (March 2021) of under-construction houses, it was seen that a few beneficiaries[39] were constructing big units flouting the type design and the Block officials were unaware of the fact which indicated the slackness in monitoring the stages of construction as per type design by Overseers/Engineers.
- In Perakambi VP in Mannachanallur Block, Tiruchirappalli District, the BDO cancelled (January 2021) the work orders issued to six beneficiaries citing excess area of construction in deviation to the prescribed type design. During JPI, it was seen that one house was completed while four houses were constructed up to roof level. None of the five houses were as per the type design and the foundation itself was put up for areas ranging from 800 sq.ft. to 1,200 sq.ft. which could have been seen had the measurements been taken at the site before recommending for payment. In spite of this, first instalment of payment had been released to four houses and three instalments to one house, pointing to lack of monitoring.
- In one case[40], Audit noticed that even though earth work was not done (March 2021), the house was shown as completed up to roof level in Tamil Nadu Rural Development website. On verification of Estimate and Allotment Register, it was seen that two instalments (up to lintel level) had been paid to the beneficiary with photo proof affixed in the valuation certificate of the beneficiary for the construction having reached up to lintel level whereas the work had not commenced. This fraudulent claim was admitted due to lacunae in monitoring.

Audit observed that the deficiencies in monitoring had resulted in release of instalments without any linkage with the actual stage of construction.

GoTN, while elaborating on the existing monitoring mechanism in its reply (October 2021), did not give any specific reply to the various instances of lapses pointed out by Audit.

#### 2.1.14.2 Discrepancies between monitoring reports and actual progress

The official website of RD&PR Department hosts information on the status of physical and financial progress of the Scheme. The data hosted in the website is password protected and used for the purpose of monitoring at the State level. During field audit, the audit teams obtained the data hosted in the official website pertaining to the sampled blocks and checked the accuracy with reference to actual progress of Green Houses through JPI. On verification at ground level, it was noticed that, in 13 out of the sampled 16 blocks, 101 houses

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[39] (i) Achankuttapatti (Ayothiyapattinam)-2, (ii) A. Kalaiyamputhur (Palani)-1, (iii) Perakambi-4 (cancelled by BDO), (iv) Thathamangalam (Mannachanallur)-1 and (v) Sethurapatti (Manikandam)-1.

[40] In Mannachanallur Block of Tiruchirappalli District.

sanctioned during 2017-18 to 2019-20, which were shown as completed in the online report, were actually in different stages of construction such as basement level, lintel level, roof laid level, plastering level, etc., and hence remained incomplete and unoccupied. The financial progress of the online report, however, stated that entire amount of ₹1.80 lakh had been paid to the beneficiaries of the houses shown as completed whereas payment corresponding to the stage of construction had only been made to the beneficiaries as per the entries made in the Estimate and Allotment Register.

The reasons behind uploading inconsistent information about completion of houses in the website were not furnished by the Blocks. Audit observed that this was an incorrect representation of ground level situation to the Government.

GoTN replied (October 2021) that PDs of DRDAs have been instructed to avoid such lapses.

**Recommendation 7:**

**Government should ensure that the system for monitoring at Block level is strengthened to ensure houses are constructed as per Scheme guidelines.**

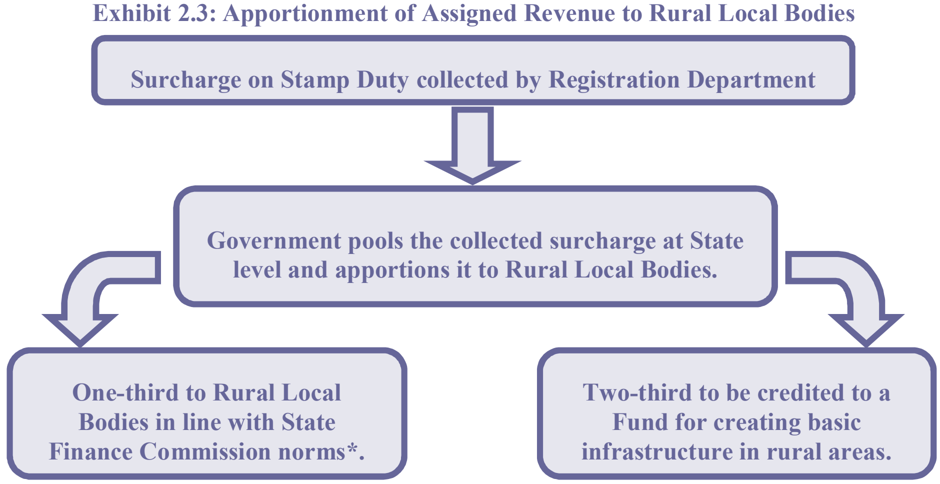
## 2.2 Subject Specific Compliance Audit of Scheme Component of Pooled Assigned Revenue

**There was no mechanism to identify and propose priority works under Scheme Component of Pooled Assigned Revenue (SCPAR). Similarly, there was no mechanism for Directorate of Rural Development and Panchayat Raj (DRDPR) to verify the proceeds of surcharge on stamp duty collected annually by Registration Department. Scheme related cash book maintained in DRDPR was not closed and reconciled with bank account every month. Department did not initiate action to levy penalty on the contractor or to cancel the agreement for delays in completing the work. Road works taken up under the scheme were not executed as per IRC Guidelines and Government instructions. SCPAR works were not monitored for quality.**

### 2.2.1 Introduction

Government of Tamil Nadu (GoTN) assigns the surcharge[41], collected by Registration Department on transfer of property, to Rural Local Bodies as 'Assigned Revenue' through District Collectors who adjusted it directly to local bodies on a quarterly basis. GoTN decided (October 2007) to pool the 'Assigned Revenue' of Rural Local Bodies at the State level and apportion them as depicted in **Exhibit 2.3** for quick and equitable transfer of funds.

**Exhibit 2.3: Apportionment of Assigned Revenue to Rural Local Bodies**




* 60 *per cent* based on population; 15 *per cent* on area; 15 *per cent* on SC/ST population and 10 *per cent* on per capita consumption expenditure distance

The Fund, which constitutes the SCPAR, maintained by the DRDPR on behalf of Rural Local Bodies, is used to finance projects at village level for creating basic infrastructure *viz.,* road works, buildings for local bodies in rural areas, water supply works, etc.

[41] At the rate of two *per cent* along with stamp duty.

Details of collection and apportionment of 'Assigned Revenue' during 2018-22 is given in **Table 2.5**.

**Table 2.5: Assigned Revenue collected and apportioned during 2018-22**

**(₹ in crore)**

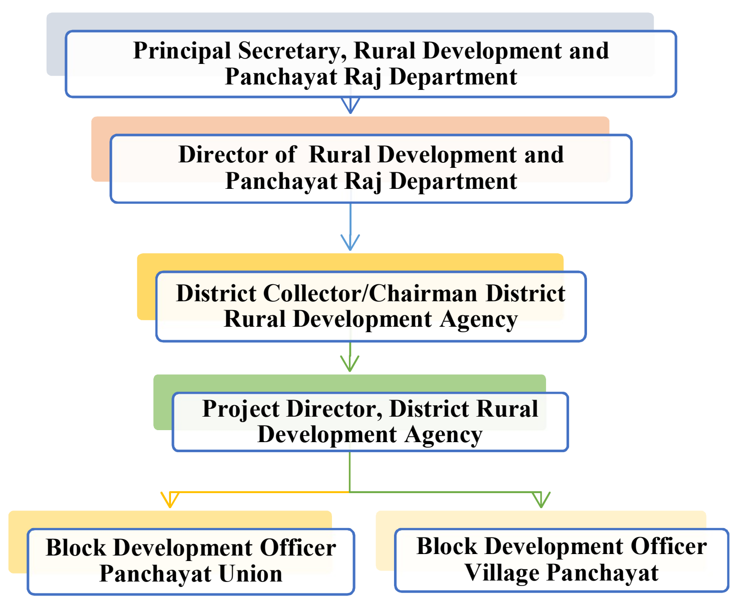
| Year | Total Assigned Revenue (Surcharge on Stamp Duty collected) | One-third of Assigned Revenue apportioned to Rural Local Bodies | Two-third of Assigned Revenue apportioned to SCPAR (Fund) |
|---|---|---|---|
| 2018-19 | 407.72 | 135.91 | 271.81 |
| 2019-20 | 1,053.45 | 351.15 | 702.30 |
| 2020-21 | 618.43 | 206.14 | 412.29 |
| 2021-22 | 850.37 | 283.46 | 566.91 |
| **Total** | **2,929.97** | **976.66** | **1,953.31** |

(Source: Government sanction orders of respective years)

## 2.2.2 Organisational set up

The Principal Secretary to GoTN, Rural Development and Panchayat Raj (RD&PR) Department is the overall head at the Government level. The Director, RD&PR implements the scheme at the State level. There are 12,525 Village Panchayats, 388 Panchayat Unions (Blocks) under the purview of the Department. The organisational structure for implementation of SCPAR scheme is given in **Exhibit 2.4**.

**Exhibit 2.4: Organisational structure for SCPAR Scheme**




## 2.2.3 Financial and physical performance

The financial and physical performance of SCPAR during 2018-22 (as of October 2022) is given in **Table 2.6**.

**Table 2.6: Financial and physical performance of SCPAR during 2018-22**

| Year | Number of works | | | Amount (₹ in crore) | | |
|---|---|---|---|---|---|---|
| | Sanctioned | Commenced/ Completed | Yet to commence | Sanctioned | Utilised | Balance |
| 2018-19 | 1,056 | 1,052 | 4 | 321.57* | 295.49 | 26.08 |
| 2019-20 | 2,914 | 2,901 | 13 | 640.09 | 529.92 | 110.17 |
| 2020-21 | 1,510 | 1,467 | 43 | 420.02* | 211.51 | 208.51 |
| 2021-22 | 71** | 71 | 0 | 268.66 | 7.09 | 261.57 |
| **Total** | **5,551** | **5,491** | **60** | **1,650.34** | **1,044.01** | |

* Includes previous years unutilised balances.

** Includes two works for centralised procurement of 83 vehicles by the Directorate, Chennai.

(Source: Compiled from information furnished by DRDPR)

### 2.2.4 Audit objectives

Audit objectives were to assess whether:

- works were selected and funds provided as per scheme guidelines;
- the works were executed economically, assets created were put to beneficial use and proper monitoring and supervision existed.

### 2.2.5 Audit criteria

The provisions of Tamil Nadu Transparency in Tenders Act, 1998 and Rules and Government Orders, instructions, circulars issued from time to time and the guidelines issued for implementation of the scheme together with Tamil Nadu Financial Code and Indian Road Congress (IRC) guidelines were taken as audit criteria to assess the performance under the scheme.

### 2.2.6 Sampling, Scope and Methodology

The Subject Specific Compliance Audit was conducted from April 2022 to September 2022 covering the period April 2018 to March 2022. The relevant scheme records were verified in Secretariat, Directorate of Rural Development and Panchayat Raj (DRDPR) and District Rural Development Agency (DRDA) in eight sampled districts[42] selected by random sampling method[43]. Audit verified records of 30 *per cent* of the sanctioned works in the sampled districts and test-checked assets created under the scheme through Joint Physical Inspection (JPI) with officials of the Department. An entry conference was held on 13 September 2022 with the Commissioner of RD&PR wherein the audit methodology, scope, objectives and criteria were explained.

[42] Namakkal, Pudukkottai, Salem, Thanjavur, Theni, Tiruvallur, Villupuram and Virudhunagar.

[43] State was divided into four geographical regions and two districts were selected from each region.

An Exit Conference was held on 8 February 2023 with the Principal Secretary to Government, RD&PR Department and the Commissioner to discuss the audit findings. The responses of the Department were considered while drafting this Report.

### 2.2.7 Acknowledgement

Audit acknowledges the cooperation extended by Government, Rural Development and Panchayat Raj Department; Commissionerate of Rural Development and Panchayat Raj and Project Directors of DRDAs of sampled districts.

## Audit Findings

### 2.2.8 Planning

Under SCPAR, DRDPR invites proposals from District Rural Development Agencies (DRDAs) for executing road works, buildings for local bodies, water supply works, etc. DRDAs prepare and submit the proposals based on the District Development Plans. The proposals received are scrutinised by a Committee comprising Additional Chief Secretary to Government, Rural Development and Panchayat Raj Department, DRDPR and Superintending Engineer (Rural Development). Based on Committee's approval for incurring expenditure from the fund, DRDPR sanctions the work.

The physical and financial performance of SCPAR scheme in the sampled districts during 2018-22 is given in **Table 2.7**:

**Table 2.7: Physical and Financial performance of sampled districts during 2018-22**

| Year | Number of works | | | Amount (₹ in crore) | | |
|---|---|---|---|---|---|---|
| | Sanctioned | Completed | Pending | Sanctioned | Amount released to DRDA | Expenditure incurred |
| 2018-19 | 377 | 374 | 3 | 93.11 | 90.56 | 89.78 |
| 2019-20 | 866 | 821 | 45 | 178.01 | 170.32 | 160.57 |
| 2020-21 | 805 | 605 | 200 | 161.19 | 146.22 | 115.87 |
| 2021-22 | 17 | 0 | 17 | 61.30 | 13.56 | 0 |
| **Total** | **2,065** | **1,800** | **265** | **493.61** | **420.66** | **366.22** |

(Source: Compiled from information furnished by Directorate of Rural Development and Panchayat Raj)

During 2018-22, 2,065 works were sanctioned under SCPAR for a total cost of ₹493.61 crore of which ₹420.66 crore was released. As of October 2022, 1,800 works were completed and 265 works were pending completion with a total expenditure of ₹366.22 crore.

#### 2.2.8.1 Non-acceptance of Fifth Finance Commission recommendations

The Fifth State Finance Commission (SFC) observed that the practice of pooling of Assigned Revenue amounted to a deviation, both in letter and spirit from decentralisation and devolution, as apportioning of revenue was not on the basis of where the tax is collected, but on other criteria.

Since surcharge on stamp duty collection increases when more transactions are entered into in an area and greater sale activity is bound to see more construction and habitation, the need for provision of more services by the local body is felt. Hence, the Fifth SFC recommended that pooling of Assigned Revenues must be done away with and the Assigned Revenues should be distributed to the local bodies based on the place where they actually accrue, after deducting cost of collection, if any.

However, GoTN did not accept the recommendations of the Fifth SFC on the grounds that the purpose of pooling of 'Assigned Revenue' is to encourage taking up of some useful capital work to fulfil State Priority Works like roads etc.

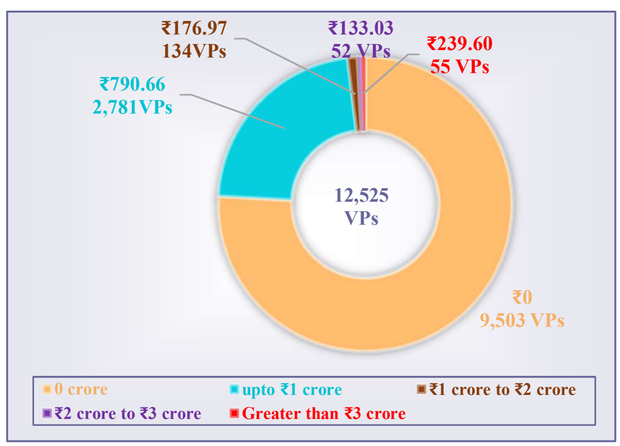
The fallout of Government's non-acceptance was that local bodies generating more revenue by way of greater sale activity and requiring provision of more services due to increased construction and habitation are deprived of their legitimate and fair share. Moreover, when Assigned Revenue is pooled and distributed it also gives rise to disproportionate distribution of funds as discussed in **Paragraph 2.2.8.2** below:

### 2.2.8.2 Disproportionate distribution of SCPAR funds

During 2018-22, ₹1,650.34 crore was approved by the Committee for taking up 5,551 number of works. Analysis of sanctions accorded by DRDPR during 2018-22 revealed the following:

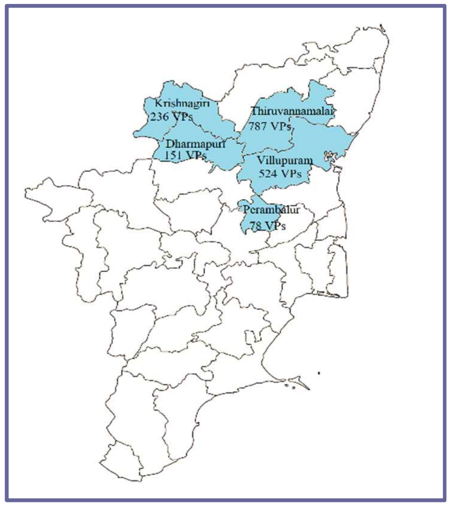
**Exhibit 2.5: Distribution of funds among VPs**

**(₹ in crore)**




- Out of 12,525 Village Panchayats (VPs) in the State, 9,503 (76 *per cent*) VPs were not allocated works under SCPAR and the remaining 3,022 VPs were allocated works (for a total value of ₹1,340.26 crore) at least once (**Exhibit 2.5**). Out of the 3,022 VPs which were allocated works, 241 VPs (i.e. 7.97 *per cent*) were sanctioned nearly 41 *per cent* of the total value of works (₹549.60 crore) during 2018-22.

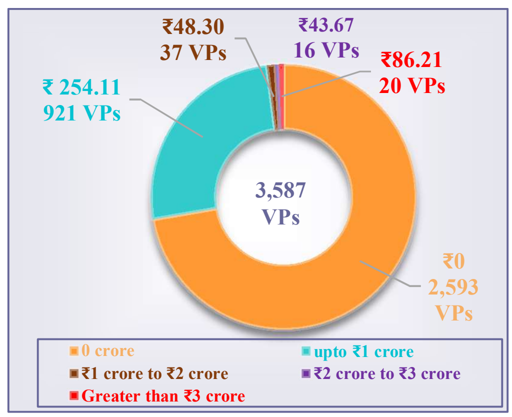
Exhibit 2.6: Backward districts where 1,776 VPs did not receive funds




- Out of the 9,503 VPs which were not allocated works under SCPAR, 1,776 VPs belong to backward districts *viz.,* Dharmapuri (151 VPs), Krishnagiri (236 VPs), Perambalur (78 VPs), Tiruvannamalai (787 VPs) and Villupuram (524 VPs) (**Exhibit 2.6**). Further, 54 VPs were located in hilly regions *viz.,* Javadhu hills, Kalrayan hills, Kodaikanal, Kolli hills, Udhagamandalam and Yercaud in other districts.

Exhibit 2.7: Distribution of funds among VPs in sampled districts

(₹ in crore)




- In the sampled districts 2,593 (72 *per cent*) out of 3,587 Village Panchayats were not allocated works under SCPAR and the remaining 994 VPs were allocated works at least once (**Exhibit 2.7**). Out of the 994 VPs which were allocated works (for a total value of ₹432.39 crore), 73 VPs (i.e. 7.35 *per cent*) cornered more than 41 *per cent* of the sanctioned funds during 2018-22.

In this connection, Audit noticed the following:

- Scheme guidelines did not spell out modalities for identifying and proposing priority works to be taken up under the scheme and only indicated the expenditure items disallowed under the scheme.
- As per 73rd amendment of the Constitution, District Planning Committee (DPC) constituted under Section 241(1) of the Act, has to prepare consolidated District Development Plan which will detail important works to be done on priority. As the election to local bodies in the State was not conducted for five years (2016-2021), the elected representatives of the local bodies could not form part of the DPC and the DPC remained defunct all these years. The Rules formed by the Government did not provide for any alternative mechanism in case of non-existence of elected representatives in the Committee for a long period. Therefore, District Development Plans were not prepared in the sampled districts during 2018-21.

- In the sampled districts, Audit noticed that DRDAs did not have any records for identifying and proposing priority works under the scheme and it was ascertained that details of works to be taken up under the scheme were called for from the Panchayat Unions (Blocks) either through letters or during review meetings. This evidenced that DRDAs did not have a proper system to ensure that Village Panchayats in need of priority works were not left out in the proposals submitted by BDOs.

Thus, due to (i) lack of a mechanism for DRDAs to identify and propose priority works under SCPAR through need-based analysis and (ii) non-preparation of District Development Plans resulted in disproportionate allocation of SCPAR funds. This defeated Government's objective of pooling the Assigned Revenue *viz.,* equitable transfer of funds.

Government replied (January 2023) that the scheme objective *per se* is not distribution of funds among the Village Panchayats on any specified formula and its purpose is for implementing specific development schemes in Rural Local Bodies. The reply is not acceptable as it is silent about the disproportionate distribution of SCPAR funds arising from (i) lack of modalities in the scheme guidelines for identifying priority works and (ii) lack of alternative mechanism in the absence of DPC.

#### 2.2.8.3 Non-execution of selected priority works

From an analysis of data relating to progress of works under SCPAR furnished by DRDPR, Audit noticed non-execution of selected works as discussed below:

In Ariyalur District, 41 road works were proposed in 2020-21 citing their (i) worn out and damaged condition and (ii) importance in providing public access to hospitals, schools, burial ground and for facilitating transportation of agricultural produce etc. DRDPR sanctioned (January 2021) these road works at a total estimated cost of ₹12.01 crore. Tendering process for the 41 works was stopped mid-way, i.e. after opening the price bids, and all the works were cancelled citing administrative reasons.

But even after nearly two years, the above 41 works were neither revived under SCPAR nor were the roads upgraded/strengthened under other schemes. Due to cancellation of the above 41 works the purpose for which the works were proposed was defeated.

Government replied (January 2023) that the works were cancelled due to administrative reasons and that the works had not commenced and funds were not released. It further stated that instructions will be issued to the District Collectors to propose these works on priority through any other suitable Rural Development schemes after conducting proper survey.

**Recommendation 1:**

**Government should - in the absence of District Planning Committee - put in place an alternative mechanism so that District Development Plans are prepared every year to aid selection of priority works under SCPAR. Government should also ensure that priority works identified are executed without fail.**

## 2.2.9 Financial management

### 2.2.9.1 Short allocation of pooled Assigned Revenue

As per Scheme guidelines, DRDPR had to submit proposals to GoTN for tentative allocation of pooled Assigned Revenue for a year after determining the entitlement of Rural Local Bodies in consultation with Registration Department. The tentative allocation for a year shall be the actual collection of surcharge in the previous year after making necessary adjustments *viz.,* addition/shortfall in collection of surcharge in the previous year.

DRDPR while submitting (June 2018) proposals for 2018-19 to GoTN for tentative allocation of pooled Assigned Revenue stated that the Registration Department had reported the proceeds of surcharge on stamp duty during 2017-18 as ₹507.16 crore. GoTN, accordingly sanctioned ₹407.72 crore as Assigned Revenue due to Rural Local Bodies for 2018-19 duly adjusting the shortfall in collection of surcharge in 2017-18[44]. However, Audit cross verified the surcharge collection details for 2017-18 obtained from Registration Department and found that it was actually ₹539.81 crore.

Failure of DRDPR to have a mechanism to verify the proceeds of surcharge on stamp duty reported by Registration Department resulted in short allocation of ₹32.65 crore (i.e. ₹539.81 crore (-) ₹507.16 crore) of pooled Assigned Revenue to Rural Local Bodies in 2018-19.

Government accepted (January 2023) the lapse and stated that necessary action will be taken to claim the amount of ₹32.65 crore, once the actual collection for the year 2017-18 called for from the Registration Department is received.

### 2.2.9.2 Diversion of SCPAR fund to other schemes

Scrutiny of cash books in sampled DRDAs revealed that ₹256.00 lakh, ₹439.42 lakh and ₹400.00 lakh was transferred (between December 2020 and March 2021) from SCPAR account to other scheme[45] account in Namakkal, Salem and Villupuram districts respectively.

To an audit enquiry, DRDAs of Salem, Namakkal and Villupuram districts replied that funds were diverted from SCPAR on temporary basis to settle long

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44 ₹99.60 crore (includes Entertainment Tax of ₹0.16 crore for 2016-17 adjusted in 2017-18) i.e. Tentative allocation of pooled Assigned Revenue for 2017-18: ₹606.76 crore (-) proceeds of surcharge on stamp duty for 2017-18: ₹507.16 crore.

45 Kudimaramathu scheme, Tamil Nadu Rural Roads Improvements scheme, Capital Grant, etc.

outstanding bills of other schemes and that it would be transferred back to SCPAR account on receipt of funds from DRDPR. The transferred fund was yet to be brought back into SCPAR account (September 2022).

Government replied (January 2023) that the entire funds diverted from SCPAR account was recouped between September and December 2022. Though the Department has recouped the diverted SCPAR funds at the instance of Audit, the fact remains that suitable provisions prohibiting diversion of scheme funds are yet to be incorporated in the scheme guidelines.

### 2.2.9.3 Improper maintenance of cash book

As per Articles 2 to 5, Chapter-I of Tamil Nadu Financial Code Volume-I, proper accounts have to be maintained for all Government financial transactions. All monetary transactions should be entered in the cash book as soon as they occur. The cash book should be completely checked, closed regularly and reconciled with bank account by the Drawing and Disbursing Officer.

During 2018-22, SCPAR bank account received ₹1,953.31 crore as Assigned Revenue. However, neither the funds received nor the interest earned in the bank account was reflected in the cash book. The cash book maintained in DRDPR was also not closed and reconciled with bank account every month.

Due to improper maintenance of cash book, DRDPR could not identify the unspent funds of previous years in the closing balance of SCPAR account i.e. ₹850.23 crore as of March 2022.

Government replied (January 2023) that the receipts have been accounted and the same has been duly verified and updated and that in future, proper maintenance of cashbook and updation of accounts will be duly verified on a monthly basis through the Accounts Officer of the Directorate.

**Recommendation 2:**

**Government should ensure that suitable mechanism is put in place to verify the proceeds of surcharge on stamp duty collection and fix responsibility for improper maintenance of scheme related cash book. Government should incorporate suitable provisions in the scheme guidelines prohibiting diversion of scheme funds and utilisation of unspent balance.**

## 2.2.10 Contract Management

### 2.2.10.1 Delay in completion of works

As per general conditions of contract, for works taken up under SCPAR, penalty has to be levied and collected from the contractor in case of delay of thirty days beyond the stipulated six-month period or further extended period. In case of delay beyond sixty days, in addition to the penalty, the work order should be cancelled, security deposit forfeited, and the contractor blacklisted. The work order also stipulated that the work should be completed as per terms of contract and before the time schedule. Deficiencies noticed in this regard are discussed below:

(i) In the eight sampled districts, out of 2,065 works, 1,800 works were completed, and the remaining 265 works were pending completion as of September 2022 (**Table 2.8**).

**Table 2.8: Details of SCPAR works pending completion**

| Name of the district | 2018-19 | | | 2019-20 | | | 2020-21 | | | 2021-22 | | | Total pending completion |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sanctioned | Completed | Pending completion | Sanctioned | Completed | Pending completion | Sanctioned | Completed | Pending completion | Sanctioned | Completed | Pending completion | |
| Namakkal | 20 | 20 | 0 | 154 | 154 | 0 | 265 | 183 | 82 | 1 | 0 | 1 | 83 |
| Pudukottai | 30 | 30 | 0 | 74 | 71 | 3 | 80 | 74 | 6 | 2 | 0 | 2 | 11 |
| Salem | 32 | 32 | 0 | 195 | 172 | 23 | 81 | 44 | 37 | 3 | 0 | 3 | 63 |
| Thanjavur | 56 | 56 | 0 | 82 | 75 | 7 | 0 | 0 | 0 | 2 | 0 | 2 | 9 |
| Theni | 127 | 124 | 3 | 84 | 82 | 2 | 82 | 62 | 20 | 2 | 0 | 2 | 27 |
| Tiruvallur | 32 | 32 | 0 | 96 | 90 | 6 | 153 | 132 | 21 | 1 | 0 | 1 | 28 |
| Villuppuram | 19 | 19 | 0 | 95 | 95 | 0 | 95 | 81 | 14 | 5 | 0 | 5 | 19 |
| Virudhunagar | 61 | 61 | 0 | 86 | 82 | 4 | 49 | 29 | 20 | 1 | 0 | 1 | 25 |
| **Total** | **377** | **374** | **3** | **866** | **821** | **45** | **805** | **605** | **200** | **17** | **0** | **17** | **265** |

(Source: Compiled from information furnished by DRDPR)

Out of the 265 pending works, 22 works were in progress within the contract period. The delays beyond the due date for completion of work ranged from one to more than 30 months (**Table 2.9**).

**Table 2.9: Details of delays noticed in the works pending completion**

| Delay range (in months) | Number of works |
|---|---|
| 1 to 10 months | 22 |
| 11 to 20 months | 176 |
| 21-30 months | 42 |
| 30 months and above | 3 |
| **Total** | **243** |

. (Source: Compiled from information furnished by DRDPR)

Government replied (January 2023) that the works were delayed due to Covid-19 Pandemic, Tamil Nadu Assembly Elections, Monsoon etc., and that the progress of works is being monitored through real time monitoring i.e. Tamil Nadu Rural Development website at Directorate level. It further stated that, all the works were completed except for 11 works[46] which are planned to be completed before 31-03-2023 except for one Panchayat Union office building in Theni district which will be completed by August 2023. The Department's contention that only 11 works were pending completion as on date, does not alter the fact that the 243 pending works pointed out in Audit were already delayed for one to more than 30 months. Besides, no documentary evidence in support of completion of 232 pending works was furnished to Audit.

[46] Three works (2019-20) and eight works (2020-21).

(ii) In one of the sampled districts, *viz.,* Namakkal, during 2020-21, 192 works (i.e. construction of cement concrete road, construction of Over Head Tanks, etc.) were implemented (February 2021) by Pallipalayam Panchayat Union (Block). The agreement and work order for the 192 works were incomplete as they did not include clauses for period of completion, penalty, etc. As of September 2022, 59 works were pending completion with delays of more than one year.

Despite abnormal delays in completion of work, Department did not initiate action to levy penalty on the contractor or to cancel the agreement. In respect of agreements without the penalty clause, Department cannot impose penalty for the delays/non-completion of works in Pallipalayam Panchayat Union.

Government replied (January 2023) that the agreements executed by the Block Development Officer will be reviewed and necessary action will be taken to enter the completion period, penalty clause etc., to avoid procedural lapses in the future. However, as the defective agreements were noticed in respect of 192 works, the action to review the agreement can bear fruit only in respect of pending works and penalty cannot be levied and recovered in respect of the completed works.

### 2.2.10.2 Discrepancies in tender evaluation

As per Section 28 of Tamil Nadu Transparency in Tenders Rules, 2000:

- The Tender Inviting Authority shall cause an initial examination to be carried out in respect of the tenders submitted, in order to determine their substantial responsiveness; and
- The initial examination shall consider the following factors, *viz.,* (a) whether tenderer meets eligibility criteria laid down in tender documents and (b) whether crucial documents have been duly signed.

Based on DRDPR's approval (May 2020), Chairman/DRDA, Virudhunagar accorded administrative sanction (June 2020) for two road works[47] in Thiruchuli Panchayat Union (Block), under SCPAR in 2019-20 at an estimated cost of ₹5 lakh each. Two bidders *viz.,* 'A' and 'B' participated in the tenders for the above two works. Both works - which were awarded to the successful bidder *viz.,* 'A' - were completed at a total cost of ₹9.98 lakh.

Scrutiny of tender documents revealed that bidder 'A' had signed both the tender schedules (price bids) in one work. The second work was finalised without submission of tender schedule (price bid) by bidder 'B'. This pointed to stage-managing of tenders in respect of one work and finalising of tenders in violation of tender rules in the second work.

[47] (i) Providing Cement Paver Block in front of Kalaiyarangam, Kethanaickanpatti Village and (ii) Providing Cement Paver Block in front of Kalaiyarangam Temple at Kethanaickanpatti Village.

Government replied (January 2023) that the price bid of unsuccessful bidder for the second work was inadvertently misplaced in other work files and there is no deviation in the tender procedure and that at present e-tendering is being followed for all Rural Department scheme works at Block level to ensure transparency in tenders. It further stated that a detailed circular was issued to District Administration to verify the tender and other related documents frequently to ensure that the tender procedure is being followed scrupulously as per Tender Transparency Act and Rules thereon. The reply that the price bid in respect of one work pointed out in Audit was inadvertently misplaced appears to be an afterthought, hence not acceptable.

**Recommendation 3:**

**Government should ensure that responsibility is fixed for delays in completion of works, non-levy of penalty for delays and for lapses in tender procedures.**

## 2.2.11 Execution of works under the scheme

### 2.2.11.1 Road works

#### *(a) Unwarranted expenditure due to adoption of higher specifications*

According to Indian Road Congress (IRC) guidelines, pavement design of roads should be based *inter alia* on traffic intensity. IRC guidelines also prescribe Premix Carpet with seal coat or mix seal surfacing for rural roads as they are expected to have very low traffic. For rural roads with higher traffic intensity Bituminous Macadam may be adopted for surfacing.

Out of the sampled eight districts, except for Tiruvallur District, in the remaining seven districts road works were executed under SCPAR without conducting any traffic census. Deficiencies noticed in execution of road works in two sampled districts *viz.,* Tiruvallur and Salem are discussed below:

**(i) Tiruvallur District**: Test check of 61 road work estimates in one sampled district *viz.,* Tiruvallur, revealed that details of traffic survey conducted *viz.,* the actual dates of traffic survey and agency that carried out the traffic survey were not on record. Instead, the date of traffic survey was mentioned as ‘Day 1’, ‘Day 2’ and ‘Day 3’. Moreover, the number of vehicles per day was the same for different roads in a Block.

To an Audit enquiry, Project Director, Tiruvallur stated that traffic census was conducted departmentally and that date of census was not recorded as the prescribed format did not have a provision for indicating the date.

Audit carried out JPI of four road works with departmental officials in one Panchayat Union (Block) and ascertained that the traffic intensity ranged from 15 to 200 commercial vehicles per day. But, in the estimates the traffic intensity for these four roads ranged from 118 to 1,367 commercial vehicles per day. Based on the estimate all 56 road works were executed adopting higher specification of Bituminous Macadam **(Appendix 2.8)**.

**(ii) Salem District**: Pavement was designed and executed in three road works without conducting traffic census but adopting higher specification of Bituminous Concrete for surface dressing without any justification on record.

Execution of road works by adopting higher specifications resulted in unwarranted expenditure of ₹6.36 crore **(Appendix 2.8)**.

Government's response (January 2023) *viz.,* possibility of diversion of traffic from ODR/MDR/SH to the proposed road and that traffic of the road in close vicinity to the proposed road was considered for pavement design indicates adoption of incorrect traffic intensity for pavement design of the proposed rural roads. Besides, Government's acknowledgement of the non-mention of dates in the traffic survey report and that it will be corrected in future raises a doubt on whether proper traffic survey was conducted for the proposed roads. Hence, reply is not acceptable.

### *(b) Avoidable expenditure due to execution of Water Bound Macadam instead of Wet Mix Macadam*

As per IRC Guidelines, conventional Water Bound Macadam (WBM) construction (i) is manual and generally time consuming, (ii) requires copious use of water and (iii) results in non-uniformity in the finished surface. Wet Mix Macadam (WMM) construction is an improvement on WBM and is intended to be an alternative and more durable pavement layer. DRDPR also permitted (January 2015) the use of WMM instead of WBM.

Test check of records in sampled districts, revealed that in 313 road works executed under SCPAR, the roads were laid with WBM instead of WMM. This resulted in avoidable expenditure of ₹2.20 crore **(Appendix 2.9)**.

Government replied (January 2023) that though WMM is economical, WBM and WMM base course provision was made in the estimate based on site suitability. The fact, however, remains that WMM has many advantages over WBM *viz.,* it is an improvement over conventional WBM, is intended as an alternative and more durable pavement layer to WBM, requires less time and water, unlike WBM, and it yields uniform finished surface. To top it all, WMM involves less maintenance cost. In view of the advantages and economical aspects of WMM, the reply is not tenable and Department should have gone in for WMM which is the intended alternative to WBM.

### *(c) Avoidable expenditure due to adoption of OGPC instead of CGPC for surfacing rural roads*

According to Highways Research Station[48], Close Graded Pre-mix Carpet (CGPC) was advantageous over Open Graded Pre-mix Carpet (OGPC) in view of (i) better performance as graded aggregate was used and was non-porous, (ii) construction being done in one stage as against two stages in OGPC

[48] Carries out research on techniques, testing of materials adopted in Highway construction and quality control for road and bridge works being executed in Highways Department.

i.e. laying of Pre-mix Carpet and laying of seat coat, (iii) use of lesser quantity of bitumen and aggregates and (iv) lesser duration of construction.

Test check of 466 works in sampled eight districts revealed that while strengthening and improving black topped roads, OGPC was used for surfacing.

To an Audit enquiry, DRDAs stated that only OGPC is adopted for surface dressing in RD&PR Department.

The reply is not acceptable as adoption of OGPC surfacing - disregarding the technically superior and economically advantageous CGPC surfacing - in the above road works led to avoidable expenditure of ₹5.55 crore **(Appendix 2.10).**

Government stated (January 2023) that both OGPC as well as CGPC are permitted for thin wearing coat in rural roads and has admitted that CGPC is economically advantageous. Further, Government's stance that CGPC requires mechanical paver which cannot be used in rural roads due to inadequate road width in the sanctioned roads is not correct because (i) both OGPC and CGPC require paver finisher for spreading the pre-mix and (ii) as per IS 3251-2 (1992) specification for Asphalt paver finisher, Type A (a type of mechanical paver) will have the capacity of paving width from 2.0 meter to 4.0 meter and can be used in rural roads which generally have a minimum width of three metres.

#### *(d) Avoidable expenditure/Excess payment to contractor*

As per Government Guidelines (September 2018) pavement edges (Side Wall) for paver block road should be provided with kerb wall/core wall of 15 centimetres thickness and foundation depth of 30 centimetres using cement concrete mix in the ratio 1:3:6.

Chairman/DRDA, Tiruvallur accorded administrative sanction of ₹16.99 crore for 92 road works for providing paver block in Villivakkam Panchayat Union (Block) under SCPAR in 2020-21. Audit took up 50 road works for test check and scrutinised the estimates, vouchers and completion report. The following avoidable/excess expenditure was noticed:

- Core wall was constructed using 1:2:4 cement concrete mix instead of 1:3:6 cement concrete mix at an additional cost of ₹6.01 lakh **(Appendix 2.11)**.
- During JPI with Block officials the test-checked 29 road works were measured and cross-checked by Audit with related work bills and it was seen that the length of kerb wall/core wall executed was measured incorrectly and higher quantity was recorded in the work bills. This led to excess payment of ₹17.52 lakh to contractor **(Appendix 2.12)**.

Government replied (January 2023) that paver block roads were laid in peri-urban Panchayats in Tiruvallur District and the lanes are located in closely and densely populated developing area involving movement of heavy vehicles used for construction and industrial activities. It further stated that the actual measurement will be verified and the excess payment to contractor, if any, will be recovered and action taken on the concerned official. The reply in respect of the additional cost incurred is not acceptable as nearly 80 to 90 *per cent* of the test-checked 50 paver block roadworks were executed within the Tamil Nadu Housing Board campus and does not involve movement of heavy traffic for construction and industrial activities as contended.

### 2.2.11.2 Buildings

#### *(i) Non-adherence to instructions for construction of District Resource Centre for Panchayats*

GoTN approved (November 2019) the establishment of District Resource Centres for Panchayats (DRCPs) to focus exclusively on Panchayat Raj capacity building and training. Accordingly, DRDPR sanctioned (January 2021) 10 DRCPs at an estimated cost of ₹50 lakh each and instructed (January 2021) that in districts where Integrated Rural Development Complex (IRDC) was constructed or under construction, DRCPs may be constructed in the existing building as third floor[49] to save basement cost. In districts without IRDC, land for construction should be identified in consultation with Director of State Institute of Rural Development and Panchayat Raj through a joint field visit. Scrutiny of related records in one of the sampled districts *viz.,* Theni revealed that:

- though the district had an IRDC, construction of DRCP had commenced on a separate site and work is in progress; and
- concurrence of State Institute of Rural Development and Panchayat Raj for the selected site was not obtained.

The failure of DRDA to adhere to DRDPR instructions also meant that the intention to save expenditure on basement work could not be achieved.

Government replied (January 2023) that considering the future expansion of development units of these offices, the DRCP building was proposed to be constructed separately and designed for Ground + 1 floor for conducting various training programmes for Self Help Group members, elected representatives, Village Panchayat Presidents. It further stated that necessary concurrence would be obtained from the State Institute of Rural Development and Panchayat Raj for having selected site separately at the earliest. The reply is not acceptable as (i) other districts where DRCPs were constructed in the existing IRDC building also impart similar trainings and (ii) for the fact that Director's instructions were not followed.

#### *(ii) Non-functioning Quality Control Lab*

As per the announcement made in the floor of the State Legislative Assembly (September 2015), it was decided to establish Quality Control Lab (QCL) in five Regional Institute of Rural Development (RIRD). The main objective of QCL is to impart quality control training to all field level technical staff of

[49] IRDC are designed and constructed with two floors.

RD&PR Department. QCL will also act as a quality control laboratory in the region specifically for RD&PR Department and for others on request basis to ensure quality assurance in execution of works and material for creation of better and durable infrastructure under various schemes. The operational guidelines for QCL envisaged outsourcing of two personnel for (i) imparting hands-on quality control training to all field level technical officers; (ii) conducting various quality tests and issuing test result certificates.

DRDPR sanctioned (November 2015) ₹325.00 lakh for establishing QCLs in five RIRDs *viz.,* Erode, Krishnagiri, Madurai, Thanjavur and Thiruvannamalai at a cost of ₹65.00 lakh each under SCPAR.

Scrutiny of records and JPI of QCL established in Thanjavur, one of the sampled districts, revealed the following:

**Exhibit 2.8: Quality Control Laboratory established in RIRD, Pattukottai, Thanjvur District**

District Collector, Thanjavur accorded (January 2016) Administrative Sanction for establishing QCL at RIRD, Pattukottai. The construction work was completed in June 2018 at a cost of ₹21.99 lakh. Lab equipment was installed (October 2018) at a cost of ₹25.22 lakh and the QCL building and lab equipment (**Exhibit 2.8**) was handed over to Principal, RIRD, Pattukottai (April 2019).

During JPI (August 2022) with DRDA and RIRD officials, Audit noticed that the QCL was not functioning since its inception as no personnel were engaged and no quality tests were conducted. Also, the QCL did not have envisaged facilities *viz.,* computer, printer, fax, phone, furniture, etc.

Thus, QCL established at a cost of ₹47.21 lakh was idling for more than three years which defeated the intended objectives of setting up the QCL. To an Audit enquiry, Department stated that retired persons would be engaged, and QCL would be put to use.

Government replied (January 2023) that services of technical staff engaged for district Pradhan Mantri Gram Sadak Yojana (PMGSY) would be shared initially for three months on temporary basis for making the QCL at Pattukottai functional. It further stated that the required number of technical manpower would be engaged through outsourcing/retired engineers for the effective functioning of QCL.

**Recommendation 4:**

**Government should ensure that road works taken up under the scheme are executed as per IRC Guidelines. Government should also ensure that assets created under the scheme are provided with all envisaged infrastructure facilities for optimal functioning.**

### 2.2.12 Monitoring

No separate monitoring mechanism was formulated under SCPAR scheme. However, Government instituted a mechanism whereby third party quality monitors (State Quality Monitors (SQM)) were appointed to monitor the quality of road and bridge works executed by the Department under various Central and State Government schemes.

While drawing up the monthly programme schedules of third party quality monitors, DRDPR included the works completed under SCPAR for inspection. Out of 31 SQM inspection programme schedules drawn up between January 2018 and September 2022 (57 months[50]), 11 SQM programme schedules did not include the works completed under SCPAR. Despite including the completed SCPAR works in the remaining programme schedules, SQM inspection was not carried out in the sampled districts except in Theni District.

To an Audit enquiry, Project Directors of seven out of eight sampled districts, replied that SQM did not carry out inspection of SCPAR scheme works.

Government replied (January 2023) that the audit objection is accepted for future compliance and that the frequency of SQM's inspection will be increased in coming months to ensure the quality and progress of works being implemented under this scheme.

**Recommendation 5:**

**Government should fix accountability for non-conduct of quality monitoring of SCPAR works.**

[50] SQM inspection programme schedules were not prepared for 26 months i.e. February 2019 to September 2020; February and March 2018; November 2020; April, May and June 2021.

## 2.3 Subject Specific Compliance Audit of Working of Micro Composting Centres established in peri-urban and bigger Village Panchayats in rural areas

**The average bio-degradable waste per day certified in the proposals submitted by district authorities for establishing Micro Composting Centres (MCCs) were overstated to fulfil the eligibility norms. District authorities failed to ensure availability of suitable site away from water bodies for MCC work. There was delay in establishing/functioning of MCCs and some Village Panchayats failed to ensure transparency at site identification stage which contributed to public agitation and time over-run in establishing MCCs. Some of the test-checked MCCs in sampled districts had shortcomings in infrastructure facilities. Poor capacity utilisation of MCCs were noticed. There were deficiencies in monitoring by implementing authorities and in conduct of training and social audit in the test-checked districts and blocks.**

### 2.3.1 Introduction

Government of Tamil Nadu (GoTN) formulated (January 2020) a scheme for establishing Micro Composting Centres (MCCs) for effective management of solid waste in peri-urban[51]/bigger Village Panchayats (VP) as huge quantum of waste generated in these areas could not be managed effectively at local level and the waste dumped in the landfill areas caused environmental pollution and health hazard. The Scheme contemplated establishment of 300 MCCs in the State to improve the solid waste management facilities in the above areas. Under this Scheme, 287 MCCs were to be constructed at an estimated cost of ₹59.18 crore during the three year period from 2019-22 at a unit cost[52] of ₹21.55 lakh to ₹24 lakh. The construction was to be carried out by District Rural Development Agency (DRDA) of District concerned as per approved type design and GoTN guidelines/instructions.

### 2.3.2 Organisational set up

The Principal Secretary to GoTN, Rural Development and Panchayat Raj (RD&PR) Department is the overall head at the Government level. The Commissioner of Rural Development and Panchayat Raj (CRD&PR) is the head of the field formation. At the district level, the District Collector who is the ex-officio Chairman of DRDA and Project Director (PD), DRDA are responsible for the proper implementation of the Scheme. At the Block level, the Block Development Officer, Block Panchayat (BDO (BP)), who is also the Commissioner of the Panchayat Union Council, and Block Development Officer, Village Panchayat (BDO (VP)) are the executive authorities. At VP level the Panchayat Secretary is the executive authority.

51 Adjacent to Corporation/Municipality/Town Panchayats.
52 Capacities of MCCs established ranged between 0.7 Metric Ton (MT) and 1 MT.

### 2.3.3 Audit objectives

The audit objectives were to assess whether;

- the MCCs were established and infrastructure facilities and manpower resources were provided as per scheme guidelines; and
- assets created were effectively utilised, efficient supervision, monitoring and revenue generation and its accounting were in place.

### 2.3.4 Audit criteria

- Government of Tamil Nadu orders and guidelines on the topic;
- Tamil Nadu Transparency in Tenders Act, 1998 and Rules, 2000;
- Tamil Nadu Panchayats Act, 1994 and Panchayat Rules, 2007;
- Guidelines of Swachh Bharat Mission(Gramin); and
- Solid Waste Management Rules, 2016.

### 2.3.5 Scope and Methodology

The SSCA was conducted from April 2022 to August 2022 covering the period from April 2019 to March 2022. The relevant scheme records were verified in Secretariat, Commissionerate and DRDAs of eight sampled districts[53] selected by stratified random sampling method (**Appendix 2.13**). In the eight sampled districts one MCC per VP was sanctioned in 64 VPs and all were selected for test check. Audit teams undertook joint physical inspection of 44 MCCs[54] along with officials of the Department at the field level. An Entry Conference was held on 13 September 2022 with the CRD&PR wherein audit methodology, scope, objectives and criteria were explained. An Exit Conference was held on 8 February 2023 with the Principal Secretary to Government, RD&PR Department and the Commissioner to discuss the Audit findings. The responses of the Department were considered while drafting this Report.

### 2.3.6 Acknowledgement

Audit acknowledges the cooperation extended by GoTN, CRD&PR, DRDAs of sampled districts and VPs in conducting the SSCA.

[53] Kanniyakumari, Krishnagiri, Salem, Theni, Tirunelveli, Tiruvarur, Vellore and Virudhunagar.

[54] Twenty four MCCs in six sampled districts (100 *per cent*) and 20 MCCs in two sampled districts (50 *per cent*) selected through IDEA software. This worked out to 15.33 *per cent* of 287 MCCs established in the State.

## Audit findings

## 2.3.7 Planning

### 2.3.7.1 Selection of Village Panchayats and site

Each Micro Composting Centre shall handle a minimum of 0.5 MT to a maximum of 3 MT bio-degradable waste per day. Therefore, Village Panchayat (VP) which generates on an average a minimum of 0.5 MT of bio-degradable waste per day, earmarks '*Poramboke*[55]' land vested with it away from water bodies and satisfies one or more of following criteria becomes eligible for establishment of MCC.

(i) VP with more than 10,000 population.

(ii) VP in peri-urban areas.

(iii) VP of tourism and pilgrimage importance.

(iv) VP with major bus stands, railway stations and markets handling floating population.

(v) VP with larger industrial/commercial establishment/educational institutions.

The Director, RD&PR instructed (February 2020) all district officials that administrative sanction for establishing MCCs shall be accorded by District Collectors after ensuring - through 100 *per cent* field inspection - adherence to criteria stipulated in the scheme guidelines for selection of VP for establishing MCC.

Scrutiny of proposals sent by sampled districts revealed that all 64 test-checked VPs[56] were certified to the effect that they generate more than 0.5 MT bio-degradable waste per day. But analysis of records in 64 test-checked VPs in the sampled districts brought out following lacuna in selection of VPs under the scheme:

#### *(a) Over-statement of quantity of waste generated in MCC proposal*

While submitting proposals to DRDPR for establishment of MCCs in shortlisted VPs, District Collector certified that the VPs generated 0.5 MT of bio-degradable waste per day and fulfilled prescribed eligibility criteria.

To ascertain the quantity of bio-degradable waste certified in the proposals for establishing MCCs, Audit called for source records based on which district authorities submitted the proposals to DRDPR. However, Audit noticed that such records were not maintained.

In the above circumstances, Audit scrutinised the day-to-day collection records in 64 test-checked MCCs and found (**Appendix 2.14**) that 35 VPs collected less

[55] Government wet lands/dry land/residential plot/waste land.

[56] Eight VPs were certified as generating more than 1 MT waste per day and one VP more than 2.5 MT per day.

than 0.05 MT waste per day on an average. In the remaining 29 VPs, average collection of 0.5 MT waste per day was noticed only in one VP[57] and in three VPs[58] it ranged from 0.4 MT to 0.5 MT per day.

A Waste Audit was conducted (February 2022) by the DRDAs in all the districts of the State under Solid Waste Management component of Swachh Bharat Mission wherein the per day waste collection of a VP was taken as the three day average of the generated waste collected (for 3 consecutive days) from households, shops, schools and other public places after its segregation into biodegradable and non-biodegradable waste. Even as per the 'Waste Audit' Report 35 out of 64 test-checked VPs (55 *per cent*) and 193 out of 287 VPs (67 *per cent*) overall where MCCs were proposed did not satisfy the main criteria i.e. generation of 0.5 MT of waste per day (**Appendix 2.15**).

Thus, the average bio-degradable waste per day certified in the proposals submitted by district authorities for establishing MCCs were overstated to fulfil the eligibility norms.

Government replied (December 2022) that the Detailed Project Reports for the MCCs were prepared by the districts based on the Time and Motion study conducted under Swachh Bharat Mission wherein the average waste generation by each household was estimated at 150 grams. It was further stated that collection of bio-degradable waste from rural households was less as the same was converted into compost by the households for their use and possibility to adopt a cluster based approach would be considered by grouping contiguous VPs for collection of bio-degradable waste to optimise the utilisation of asset created.

The reply reinforces the point that the basic criteria for the establishment of MCCs was not based on the prevailing needs of the selected VPs which had resulted in variation between the actual and projected waste generation.

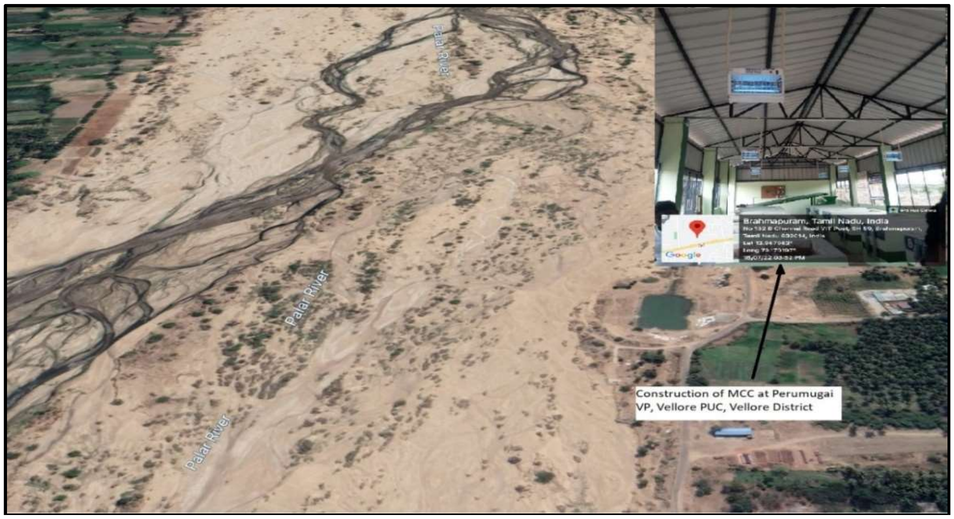
***(b) Incorrect selection of site***

According to GoTN guidelines, for establishing MCC, District Collectors should submit proposals for sanction after ensuring that the selected VP identifies and earmarks required '*Poramboke*' land away from water bodies. From scrutiny of records and in joint physical inspection, audit observed the following:

- in 13 test-checked VPs, MCCs (**Appendix 2.16**) were established on lands classified as water bodies. (**Exhibit 2.9**);
- in four test-checked VPs, MCCs (**Appendix 2.16**) were established adjacent to water bodies (**Exhibit 2.10**).

[57] Bagaloor VP in Krishnagiri District.
[58] Begapalli, Onnalvadi and Shoolagiri VPs in Krishnagiri District.

**Exhibit 2.9: MCC established in the water spread area of River Palar in Perumugai VP, Vellore District**




(Source: Photograph taken during joint physical inspection)

**Exhibit 2.10: MCC established adjacent to water body in Elavangarkudi VP, Tiruvarur District**


(Source: Photograph taken during joint physical inspection)

Proposals for all 17 MCCs certified that all criteria were fulfilled. This goes to show that district authorities failed to ensure availability of suitable site away from water bodies through 100 *per cent* field inspection before issuing administrative sanction for MCC work.

Government while accepting (December 2022/February 2023) that MCCs were established in lands classified as water course *poramboke* due to non-availability of suitable lands contended that the flow of water was not affected and that there was no water pollution. It was further contested that the survey numbers of two out of the 13 MCCs and the four MCCs established adjacent to water bodies were not classified as water bodies as per records.

Reply was not acceptable as the extant land records classified the survey numbers of the site where two MCCs were established as waterbodies and in respect of four MCCs established adjacent to water bodies, there was a risk of surface water contamination and aggravated water borne diseases in the long run. Besides, violation of guidelines in selection of site for establishing MCC poses the risk of possible eviction proceedings in future.

### *(c) Lack of transparency in site selection for MCC*

Guidelines contemplates that the entire operations should be placed in all '*Grama Sabha*'[59] meetings to ensure transparency and for suggestions and improvements. However, from scrutiny of records and joint physical inspection Audit noticed that execution of three MCC works on identified lands were abandoned due to public agitation and alternate site was selected to execute the work. This resulted in delayed completion/non-completion of work (August 2022) as discussed below:

- MCC in Kattathurai VP, Tiruvattar Block, Kanyakumari District: Work order was issued (August 2020) and contractor completed the work up to fixing of steel rods. Due to public protest work came to a halt and administrative sanction was cancelled (October 2020) after incurring an expenditure of ₹3 lakh[60] for which contractor is yet to be paid.

  The work was re-allotted (October 2020) to another VP *viz.,* Ayacode VP within the same Block. But the site selected was located on hilly terrain **(Exhibit 2.11**) and lacked facilities like e-carts and proper road connectivity for transporting waste to MCC. To improve the road connectivity, road work was taken up at estimated cost of ₹33.48 lakh[61] which was yet to be completed (December 2022). The MCC work in the re-allotted VP was completed (September 2021) after a delay of six months at a cost of ₹21.68 lakh and started functioning from April 2022 without proper road facilities. Transportation of collected waste to MCC remains an arduous task for Thooimai Kavalars (TKs) in this VP.

[59] A forum encompassing the registered voters of a Village Panchayat.

[60] Steel, M-sand and 20 mm gravel valuing about ₹3 lakh.

[61] ₹4.06 lakh was incurred for unskilled labour till date.

**Exhibit 2.11: Map showing the terrain in Ayacode VP, Kanyakumari District where MCC was established**


(Source: Photograph taken during joint physical inspection)

- MCC in Melarajakularaman VP, Rajapalayam Block, Virudhunagar District: Work order was issued in September 2020 and contractor executed works costing ₹9.38 lakh (February 2021). Subsequently, the original site (S. Thirukothaipuram) selected for the work was replaced with another site (Dharmapuram) within the VP itself due to public protests. However, work in the new site was not completed (August 2022) even after 24 months from issue of initial work order.
- MCC at Katchipalli VP, Konganapuram Block, Salem District: Work order was issued in July 2020 and contractor executed works till basement level for which payment was not made. Subsequently, the original site selected for the work was replaced with another site within the VP due to natural conditions and local issues. The work in the new site was completed (July 2022) after a delay of nearly two years after issue of initial work order.

In the above three works, the site proposal was cleared unilaterally without involving the *Grama Sabhas*. Later these proved to be wrong sites which led to public agitation and consequent time over-run in the above works.

Government replied (December 2022/February 2023) that alternate sites had to be selected due to public agitation/administrative reasons in respect of the above three MCCs and that all the MCCs have been completed within the estimated amount and have started functioning now. It was further stated that the entire operations of MCCs have been placed before '*Grama Sabha'* meeting held on 26 January 2023 for suggestions and improvements. The reply reiterates the fact that the Panchayat Secretary of the VPs concerned had failed to place the details of land identified for setting up the MCC in the *Grama Sabha* meeting.

**Recommendation 1:**

**Government should ensure that accountability is fixed for improper selection of VPs and for identifying sites on water bodies for establishing MCCs.**

## 2.3.8 Financial management

GoTN accorded sanction (January 2020) for establishing 300 MCCs in peri-urban/bigger village panchayats. Funding for establishing MCCs was to be met from the World Bank Performance Based Incentive Fund received under Swachh Bharat Mission (Gramin). Only 287 MCCs were taken up due to administrative reasons and public objections.

The physical and financial performance during 2019-22 are as under:

**Table 2.10: Physical and Financial Progress**

| Year | Taken up | Completed | Fund released to Districts | Contribution from VP | Total Funds | Expenditure incurred |
|---|---|---|---|---|---|---|
| | (Numbers) | | (₹ in crore) | | | |
| 2019-20 | 214 | 287 | 57.40 | 6.48 | 63.88 | 63.40* |
| 2020-21 | 73 | | | | | |
| 2021-22 | - No new work taken up - | | | | | |
| **Total** | **287** | **287** | **57.40** | **6.48** | **63.88** | **63.40** |

* Includes pending bills of ₹2.20 crore

(Source: Data furnished by DRDPR, Chennai)

It is seen from **Table 2.10** that nearly 99 *per cent* of the fund allocation (₹63.40 crore out of ₹63.88 crore) was spent during 2019-22 for establishing 287 MCCs.

### *Non-collection of contribution from VPs*

Since the maximum permissible limit per VP for setting up was ₹20 lakh, expenditure in excess of ₹20 lakh should be met by Village Panchayats from their State Finance Commission Grants or under convergence of other Schemes which permit solid waste management activities.

Scrutiny of records in test-checked VPs in the sampled districts revealed that contribution totalling ₹94.16 lakh from 33 VPs (**Appendix 2.17**) was not collected from the respective VPs as of August 2022.

Government replied (December 2022) that ₹55.61 lakh was collected and the remaining would be collected after submission of bills.

## 2.3.9 Execution of works

### 2.3.9.1 Delay in establishing/functioning of MCCs

The average contract period for executing the work of establishing MCCs ranged from three to nine months. Out of 64 test-checked MCCs in the sampled districts, it was seen that:

- 40 MCCs were completed with delays ranging from 3 to 19 months beyond the agreed contract period (**Appendix 2.18**). As per agreement conditions, penalty was to be levied for delay beyond contract period. Despite this, implementing authorities did not levy penalty on contractors who delayed the work.
- 34 MCCs - where work was completed - commenced functioning only after a delay of 2 to 12 months (**Appendix 2.19**). Thus, assets created after incurring an expenditure of ₹7.31 crore were idling during the period of delay.

Government replied (December 2022/February 2023) that completion of MCCs were delayed due to Covid-19 pandemic situation up to May 2021 and restrictions announced on account of Legislative Assembly elections (April 2021). Reply is not tenable as the details furnished (January 2023) in respect of functioning of 287 MCCs indicates that 57 *per cent* of MCCs started functioning only between January 2022 to January 2023 and the reasons cited in the reply could not be attributed to these delays. Further, two MCCs at Kathirampatti VP in Erode District and Devipattinam VP in Ramanathapuram District were yet to be operationalised due to a pending court case and electricity issues respectively. Besides, the contractors responsible for the delays were also not penalised.

### 2.3.9.2 Non-compliance to tender procedure - avoidable payments to contractors

According to guidelines, MCC works shall be executed by adopting Tamil Nadu Transparency in Tenders Act, 1998 (TNTTA) and Rules 2000. Section 10 of TNTTA specifies that 'the tender accepting authority has to compare the rates quoted in the tender along with the prevailing market value of the procurement items'.

In MCC work estimates, the combined cost of 'Shredder' and 'Conveyor belt' was fixed as ₹5.50 lakh.

In one sampled district *viz.,* Vellore*,* the MCC work in Kondasamuthiram and Sevoor VPs of Gudiyatham Block was executed by a single contractor. The contractor was paid ₹5.50 lakh (excluding GST) for 'Shredder' and 'Conveyor belt' items based on tax invoice furnished separately for each work.

Audit came across another set of tax invoices for ₹3.47 lakh (without GST) furnished by the same contractor for supplying 'Shredder' and 'Conveyor belt' for the same work. However, these invoices were not considered for payment. But, this shows that these items were available in the market for lesser rates.

Thus, failure of DRDA, Vellore to assess prevailing market rates for 'Shredder' and 'Conveyor belt' and obtain competitive rates resulted in avoidable expenditure of ₹2.03 lakh.

Government replied (December 2022) that there was no excess payment made to the contractor as payment was made against bills raised by the contractor. Reply was not acceptable as it was silent about the invoices for the same work for a lesser value by the same contractor as noticed in Audit.

#### 2.3.9.3 Undue benefit to contractor

Construction of MCC (0.70 MT capacity) in Vadakkankulam VP, Tirunelveli District was completed in August 2021. Scrutiny of Measurement Books, completion report and payment vouchers for the work revealed that one item of work *viz.,* 'supply and fixing of weld mesh' was incorrectly measured as 295.15 sq.m. instead of actual quantity executed i.e. 45.55 sq.m. The contractor was paid for the incorrect quantity measured and excess payment at the rate of ₹290 per sq.m. for 249.60 sq. m worked out to ₹0.81 lakh.

Government accepted (December 2022) the error in calculation and stated that the excess amount was recovered from the contractor.

**Recommendation 2:**

**Government should ensure that responsibility is fixed for delay in completing MCCs, non-levy of penalty for delays and for lapses in adhering to tender procedures in all the districts where MCCs were established.**

### 2.3.10 Infrastructure in MCCs

As per guidelines, each MCC should handle a minimum of 0.5 MT to a maximum of 3 MT bio-degradable waste per day. MCCs should be provided with infrastructure facilities along with implements to handle bio-degradable waste for converting into mature compost.

During joint physical inspection in 44 test-checked MCCs in sampled districts, the following shortcomings (**Appendix 2.20**) in infrastructure facilities was noticed:

- In nine test-checked MCCs (six sampled districts) flying insect killer UV tube catcher machine was either not installed, in damaged condition, or were stolen.
- In six test-checked MCCs (four sampled districts) Sanitary Napkin burning machine was not installed or was under repair.
- In five test-checked MCCs (two sampled districts) Air Vents in Compost Tubs with cowl arrangement was not provided.
- In six test-checked MCCs (two sampled districts) Turbo Air Vent was not provided.

- In 10 test-checked MCCs (four sampled districts) Leachate provision installed was not as per type design.
- In one test-checked MCC (Theni District) borewell was not provided and toilet work was not completed.
- In seven test-checked MCCs (two sampled districts) shredding machine not cutting in proper size.

The defects pointed out by Audit were rectified subsequently (October 2022) in six MCCs as detailed below:

- The non-provision of air vents and cowl arrangements noticed in three MCCs in Melasankarankuzhi, Kaniyakulam and Ayacode VPs in Kanyakumari District was provided.
- Similarly, in Theni District, the non-provision of leachate in two MCCs at Vadapudupatti and T.Rajagopalanpatti VPs and non-preparation of EM solution and leachate provision in Rayappanpatti VP was rectified.

Government replied (December 2022/February 2023) that the defects pointed out by Audit in sampled districts have been rectified. The status of infrastructure facilities provided in all the MCCs has to be reviewed for their effective functioning.

**Recommendation 3:**

**Government should ensure that MCCs are provided with all envisaged infrastructure facilities for their optimal functioning.**

## 2.3.11 Utilisation of MCC

### 2.3.11.1 Capacity utilisation

Each MCC was envisaged to handle a minimum of 0.5 MT to a maximum of 3 MT bio-degradable waste per day. The capacity utilisation of the 287 MCCs as of January 2023 however indicated that 225 MCCs i.e. 78 *per cent* of MCCs were functioning below 20 *per cent* of their in-built capacity. In respect of the sampled 64 MCCs, though 62 MCCs[62] were in operation for periods ranging from 3 to 24 months, the capacity utilisation in 39 MCCs was below 20 *per cent*, and ranged between 20 *per cent* and 50 *per cent* in 20 MCCs and three MCCs had reached the half-way mark i.e. 50 *per cent*. The poor capacity utilisation further strengthens the Audit observation discussed in **Paragraph 2.3.7.1(a)** that MCCs were proposed without satisfying the main criteria i.e. generation of 0.5 MT of waste per day.

### 2.3.11.2 Poor revenue generation

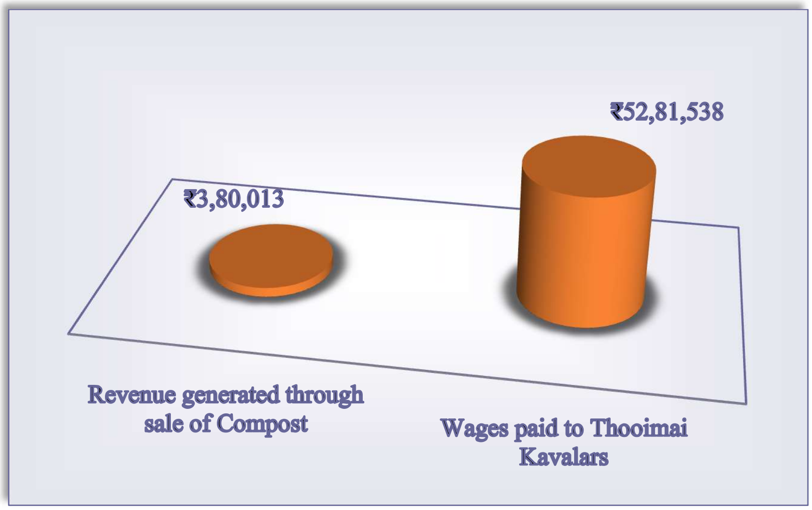
As per the scheme guidelines the five Thooimai Kavalars (TKs) engaged exclusively in MCCs were to be paid from the VP's General Fund Account.

[62] Two MCCs became functional only in December 2022.

Each VP incurs recurring monthly expenditure of ₹18,000 as wages[63] for TKs and ₹2,000 on an average as electricity charges for the MCC.

While total revenue generated through compost sale (up to August 2022) was ₹3,80,013 **(Appendix 2.21)** the total wages paid to TKs in 61 test-checked MCCs which were functioning was ₹52,81,538 **(Appendix 2.21)**. Thus revenue generated in MCC could meet only 7.20 *per cent* of wages paid to TKs (**Exhibit 2.12**).

**Exhibit 2.12: Revenue generated in MCC vs Expenditure on wages to TKs**




From the above comparison it is seen that sustaining the operation of MCCs in the long run by relying solely on Village Panchayat funds would be challenging.

Government stated (December 2022/February 2023) that MCCs were envisaged as community-based model for creating awareness among rural communities and operational cost was the responsibility of the VPs. It was, however, further stated that a proposal to introduce sanitation tax with differential tariffs to households and commercial establishments during the revision of property tax in the rural areas is being considered.

**Recommendation 4:**

**Government, as stated, should consider adopting the cluster-based approach by including contiguous VPs, to improve and achieve optimal utilisation of the asset created for composting bio-degradable waste.**

## 2.3.12 Monitoring, evaluation and training

The scheme guidelines stipulates monitoring and training programme. It also prescribes social audit of MCC by '*Grama Sabha*'. The deficiencies in monitoring by implementing authorities and in conducting of training and social audit in the test-checked districts and blocks are discussed below:

[63] ₹3,600 per Thooimai Kavalar.

#### 2.3.12.1 Absence of supervision by authorities

MCC is an asset of the Village Panchayat and its day-to-day maintenance shall be looked after by the Village Panchayat Secretary. Assistant Executive Engineer, Rural Development shall be the technical authority responsible for effective functioning of MCCs in their respective jurisdiction. The Union Overseer and Panchayat Union Assistant/Junior Engineer shall monitor the operational aspects and ensure its uninterrupted functioning under the overall supervision of Assistant Executive Engineer, Rural Development.

However, no such supervision has so far been conducted (December 2022) in all MCCs in sampled districts.

Government attributed (December 2022/February 2023) shortage in inspections to vacancies in the Engineering cadre and also stated that instructions have been issued to ensure inspection of MCCs by Block Development Officers (VP) and Zonal BDOs during their visit to VPs.

#### 2.3.12.2 Absence of Social Audit/Transparency

The scheme guidelines mandated social audit of MCC by '*Grama Sabha*' and placing of entire operations in all '*Grama Sabha'* meetings to ensure transparency and for suggestions. Though '*Grama Sabha*' meeting were held regularly from October 2021, this was not adhered to as no efforts were taken in this regard in all test-checked VPs.

Government stated (December 2022) that the entire operations of MCCs have been placed before '*Grama Sabha'* meeting held on 26 January 2023 for suggestions and improvements and assured that the social audit of MCC would be placed before '*Grama Sabha'* conducted on 26 January every year in future.

#### 2.3.12.3 Training for officials and stakeholders

To implement the scheme effectively, suitable training and awareness programmes at District and Block level for officials and stakeholders were to be conducted as per GoTN guidelines. Though training was stated to be conducted in sampled districts no documents/minutes in support of training conducted were produced to Audit. There were also no records to show that follow-up or impact assessment was done for participants.

Government stated (December 2022) that regular training programmes will be conducted for all stakeholders in coordination with State/Rural Institutes of Rural Development at State and District level respectively.

**Recommendation 5:**

**Government should ensure supervision of MCCs at Village Panchayat and Block levels and take steps to conduct training for officials and stakeholders. Government should fix accountability for non-conducting of Social Audit of MCC operations.**