

## **CHAPTER-III PERFORMANCE REVIEWS**

*This chapter contains one Performance review and three long paragraphs. The Performance review is on (3.1) Implementation of Drugs and Cosmetics Act and long paragraphs are on (3.2) Accelerated Irrigation Benefit Programme, (3.3) Saurashtra Pipe Line Project (Mahi Based Water Supply Scheme) and (3.4) Computerisation Programme in Motor Vehicle Department.*

### **HEALTH AND FAMILY WELFARE DEPARTMENT**

#### **3.1 Implementation of Drugs and Cosmetics Act**

*The Drugs and Cosmetics Act 1940 (Act) is a Central Act to be implemented by all the States. The Act along with the other associated Acts and the rules made thereunder regulate the import, manufacture, distribution, sale and clinical research of drugs and cosmetics. In Gujarat, huge shortage of Drug Inspectors adversely affected the functioning of the Drugs and Cosmetics Act and the menace of spurious drugs continued to prevail. No follow-up action was taken to withdraw the drugs declared as not of standard quality from the market. The licensing system was ineffective and the DCA did not maintain proper record. Monitoring at State level was poor. Thus the objective of prevention of the menace of spurious drugs to eliminate the danger to human life had not been achieved.*

#### *Highlights*

**Inadequate strength of technical staff weakened the enforcement of the Administration and diluted regulatory functions.**

**(Paragraph 3.1.3)**

**There was sharp increase in pendency in the cases of prosecution.**

**(Paragraph 3.1.4)**

**Sales of drugs without complying with the conditions of licences were noticed. 105 sales licences were issued to pharmacies without registered pharmacists to supervise sales in contravention of the provisions of the Act.**

**Shortfall in inspections ranging from 54 to 69 per cent (manufacturing units) and from 63 to 77 per cent (selling units) was noticed.**

**Two Blood banks with serious deficiencies collected 5948 units of blood.**

**Real magnitude of spurious/Not of Standard Quality drugs sold in the market could not be assessed due to inadequate sampling.**

**Under-utilisation of capacity of the laboratory resulted in delay in testing and follow up action. Inordinate delay in despatch of the drug samples to the testing laboratory resulted in delayed declaration of NSQ drugs.**

**Delayed declaration of NSQ drugs resulted in selling of NSQ drugs before they could be withdrawn.**

**(Paragraph 3.1.5)**

**Sub-standard drugs worth Rs.68 lakh purchased by CMSO and ESIS were not replaced.**

**(Paragraph 3.1.7)**

### ***3.1.1 Introduction***

#### ***• Background***

At the beginning of the twentieth century, pharmaceuticals were being imported from abroad. After the First World War manufacturing concerns, both Indian and Foreign, sprang up to produce pharmaceuticals at cheaper rates to compete with imported products. Some of these products were of inferior quality and harmful. Government, therefore, decided to introduce legislation to control the manufacture, distribution and sale of drugs and medicines. A Select Committee appointed by the Central Legislative Assembly in 1937 recommended various measures, providing for the uniform control of manufacture and distribution of drugs as well as of import and finally the Drugs and Cosmetics Act<sup>1</sup> was enacted on 10 April 1940.

At present, the Acts and Rules, apart from the Drugs and Cosmetics Act, 1940, which govern the manufacture, sale, import, export and clinical research of drugs and cosmetics in India are : The Pharmacy Act, 1948; The Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954; The Narcotics Drugs and Psychotropic Substances Act, 1985; The Medicinal and Toilet Preparations (Excise Duties) Act, 1956; The Drugs (Prices Control) Order 1995 (Under the Essential Commodities Act). However, 'The Drugs and Cosmetics Act, 1940' continues to be the main Act.

#### ***• Main features of the Act***

To ensure standards of Drugs and Cosmetics, Diagnostics and Devices.

To monitor the quality of drugs and medicines imported, manufactured, distributed and sold.

To take punitive measures for violations of provisions of the Act.

To regulate clinical research and publication of Indian Pharmacopoeia.

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<sup>1</sup> Drugs and Cosmetics Act, 1940 was amended in December 1961 to provide for regulation of the manufacture of cosmetics and prohibition of import and sale of sub-standard and misbranded cosmetics.

### • *Statutory Functions*

This is a Central Act and is applicable to all the States. Central Government lays down the regulatory measures and the standards of drugs, cosmetics and diagnostics, and makes amendments to Acts and Rules. It regulates market authorisation of new drugs and standards of imported drugs. It is the Central Licence Approving Authority for Blood Banks, Large Volume Parenterals and Vaccines and Sera. Drugs Technical Advisory Board (DTAB), Drugs Consultative Committee (DCC) and Central Drugs Laboratories are under the control of the Central Government.

The main functions of the State Government are (a) licensing of drug manufacturing and sales units, (b) licensing of drug testing laboratories, (c) approval of drug formulations for manufacture, (d) monitoring of quality of Drugs and Cosmetics manufactured, (e) investigation and prosecution in respect of contravention of legal provisions, (f) regulation of the standards of imported drugs, (g) inspection and (h) recall of sub-standard drugs.

#### 3.1.2 *Audit coverage*

Records maintained at Commissioner, Food and Drugs Control Administration Office, 8 circle offices<sup>⊕</sup> and a drug laboratory (Vadodara) for the period from 1997-98 to 2002-03 were test checked (December 2002 to March 2003) and important points observed therein are presented in succeeding paragraphs.

#### 3.1.3 *Implementing Agencies: Implementation arrangement*

##### • *Organisational Set-Up*

The Act is implemented by Commissioner, Food and Drugs Control Administration<sup>♥</sup>. 3 Joint Commissioners, 3 Deputy Commissioners at Gandhinagar and 18 Assistant Commissioners at district level (circle offices) assist him with 47 inspectors\* (19 Sr. Drug Inspectors (SDIs) and 28 Drug Inspectors (DIs)) under them.

##### • *Staff shortage in key posts*

As of March 2003, the shortage against the sanctioned posts in DI/SDI posts was 56 and 49 *per cent* respectively. Moreover, only 48 (14.37 *per cent*) DI/SDIs were in position against the required strength of 334 DI/SDIs as per recommendation of the Task Force Committee (TFC) accepted by the Central Government. It was noticed that this shortfall of 286 persons (85.63 *per cent*) adversely affected the implementation of the various regulatory functions<sup>⊣</sup> as discussed in subsequent paras.

**Shortage of staff diluted the regulatory functions**

<sup>⊕</sup> Ahmedabad(City), Ahmedabad(Rural), Rajkot, Bhavnagar, Bharuch, Surat, Vadodara and Valsad.

<sup>♥</sup> Administration

<sup>\*</sup> In Gujarat SDIs are entrusted with the work relating to manufacturing units and DIs with the work relating to sales units.

<sup>⊣</sup> Regulatory functions performed by DI/SDIs : Inspection of premises, verification of compliance furnished by the manufacturer/seller, sampling, effective control over production of safe/standard drugs, detection of spurious drugs, prevention of circulation of NSQ/spurious drugs, withdrawal/seizure/destruction of stock of such drugs, launching prosecution

As against the proposal (June 1998) for recruitment of 66 DIs submitted to Government, only 13 persons were recruited as of March 2002. Though six posts of Assistant Commissioners and two DIs were sanctioned (October 2000) in respect of six new revenue districts formed (1998), these posts were not filled up due to the failure of Government to notify the vacancies to the Gujarat Public Service Commission.

The Parliamentary standing committee on HRD has taken a serious note (May 2001) of the vacancies in the posts of DI in states while reviewing the status of the quality of drugs in the country.

• ***Improper deployment of technical staff***

It was observed that during 2001-2002, in seven Circles<sup>Π</sup> having more than 900 sales units, only one DI was deployed against sanctioned posts ranging from 2 to 4, whereas in Surendranagar (298) and Godhra (534) with less number of units, two DI's were deployed and in Rajkot with 1279 units, three DI's were deployed.

• ***Financial Outlay and Expenditure***

There was no separate budgetary allotment for drug administration as it was combined with food administration. Grants allotted, expenditure incurred and receipts during 1997-2003 were as under:

(Rupees in lakh)

YEAR	Grants allotted			Expenditure			Receipt <sup>£</sup> (D & C Act)
	Non-plan	Plan	Total	Non-plan	Plan	Total	
1997-98	739.74	66.20	805.94	746.63	66.82	813.45	32.37
1998-99	1104.56	200.00	1304.56	1019.46	196.53	1215.99	37.79
1999-00	978.56	212.82	1191.38	991.11	121.37	1112.48	34.00
2000-01	1035.29	146.84	1182.13	1014.60	119.27	1133.87	113.57
2001-02	1074.18	94.35	1168.53	1018.34	76.83	1095.17	510.87
2002-03	916.70	112.50	1029.20	987.26	105.72	1092.98	646.62
<b>Total</b>	<b>5849.03</b>	<b>832.71</b>	<b>6681.74</b>	<b>5777.40</b>	<b>686.54</b>	<b>6463.94</b>	<b>1375.22</b>

***3.1.4 Poor progress in prosecution***

***Sharp increase in pendency of prosecution cases***

As per the Act, manufacturing/selling of NSQ, misbranded, adulterated, fake and spurious drugs/cosmetics was not a cognizable offence. In order to penalize persons involved in such activities, the Administration had to depend on police.

<sup>Π</sup> Ahmedabad(1922), Nadiad(1153), Bharuch(979), Valsad(1002), Bhavnagar(907), Mehsana(1471) and Junagadh(912).

<sup>£</sup> Receipt includes fees for granting various types of licences and renewals thereof, GMP/WHO GMP certificates, product permissions, testing fees etc.

The details of the prosecutions launched, decided, convicted and pending with the court during 1997-98 to 2002-03 were as under:

Year	Pending (OB)	Additions	Total	Disposed		Pending at the end of the year
				Convicted	Acquitted	
1997-98	208	21	229	04	03	222
1998-99	222	22	244	02	03	239
1999-00	239	16	255	12	06	237
2000-01	237	29	266	06	05	255
2001-02	255	27	282	02	06	274
2002-03	274	11	285	00	01	284
<b>Total</b>		<b>126</b>		<b>26</b>	<b>24</b>	

- Out of 284 pending cases, as at March 2003, 177 pertained to the period prior to 1997-98, and the balance<sup>Ψ</sup> cases pertain to the years 1998-2003.

- During last six years 126 cases were added and only 50 cases were disposed of.

- Out of 24 acquitted cases, only 12 cases (50 per cent) were found fit for appeal and referred to the Legal Department. Of which, appeal was filed in eight cases only as directed by the Legal Department. Even though the major reason for acquittal was the “witnesses turning hostile” (in all 24 cases), several deficiencies on the part of the Administration were noticed. These deficiencies were: (i) counterpart sealed samples were not sent to the court (2 cases), (ii) improper sampling/panchnama made (1 case), (iii) charge-sheet filed after lapse of one year from the date of seizure of drugs in question (1 case) and (iv) F.I.R. lodged very late (1 case).

- Out of 26 convicted cases, sentence for imprisonment ranging from one day to two years with a fine ranging from Rs.600 to Rs.7000 was imposed in 13 cases, whereas, fine ranging from Rs.50 to Rs.25000 was imposed in other 13 cases. Though the Administration referred three cases to Legal Department for filing appeal for enhancement of punishment, consent was received in respect of one case only. Reasons for non-consent for two cases were not available.

### 3.1.5 Implementation of the Act:

- **Issue / renewal of Licences**

#### **Sales without complying with conditions of licences**

In test checked 8 circle<sup>§</sup> offices 17833 and 6271 licences were renewed and cancelled (1997 to 2002) respectively. The test check of 1292 cases revealed that there was delay ranging from 03 to 102 months in 520 renewal cases (40.25 per cent) and 02 to 23 months in 29 cancellation cases.

Thus delay in cancellation allowed 29 licensees to run their activities without complying with conditions of licence.

<sup>Ψ</sup> 1997-98 13 cases, 1998-99 16 cases, 1999-2000 16 cases, 2000-01 27 cases, 2001-02 29 cases and 2002-03 (upto December 2002) 6 cases

<sup>§</sup> Ahmedabad (city), Ahmedabad (rural), Rajkot, Bhavnagar, Bharuch, Surat, Vadodara and Valsad.

**Improper issue of sales licences to Pharmacies**

**Licence for sale of drugs was issued to pharmacies which did not have registered pharmacists**

As per provisions of the Rules, retailers were required to sell drugs under supervision of a "Registered Pharmacist" with a diploma/degree in pharmacy and due registration with the Registrar of the Gujarat State Pharmacy Council under Pharmacy Act, 1948. However, 105<sup>∇</sup> sales licences were issued between September 2002 and March 2003 to pharmacies which had no registered pharmacists to supervise the sales.

The licensing authorities stated that this was based on the directions of the Commissioner in December 1998. The directions of the Commissioner and issue of such licences were irregular.

• **Adequacy of sampling and inspection**

**Inspection**

The Act stipulates inspection of each licensed establishment once in a year (twice up to September 2001). In respect of manufacturing units this was done by SDI and in respect of sales and distribution by the DI. As per norms fixed (February 1999) by Government each SDI was to inspect 120 (96 up to 1998-99) manufacturing units and each DI to inspect 540 (420 up to 1998-99) sales units within his jurisdiction each year.

**Inspection of manufacturing units by SDI**

**Shortfall in inspection**

Year	No.of units	No.of inspections to be carried out as per		Actual inspection	Shortfall (percentage) as per	
		Act	Norms		Act	Norms
1997-98	2897	5794	2880	2031	65	29
1998-99	3018	6028	2784	1858	54	33
1999-00	3048	6096	3480	1915	69	45
2000-01	3220	6440	2520	2364	67	06
2001-02	3253	6506	2280	2226	66	02

**Inspection of selling units by DI**

Year	No.of units	No.of inspections to be carried out as per		Actual inspection	Shortfall (percentage) as per	
		Act	Norms		Act	Norms
1997-98	16086	32172	14280	11998	62.71	15.98
1998-99	17170	34340	13860	12484	63.64	9.93
1999-00	18116	36232	17820	12126	65.53	31.95
2000-01	19645	39290	13500	9847	74.94	27.05
2001-02	20412	40824	12420	9210	77.44	25.82

The shortfall in inspections as per provisions of Act ranged between 54 and 69 per cent in respect of manufacturing units and between 63 and 77 per cent in respect of sales units. Shortfall in inspection as per norms ranged between 02 and 45 per cent in respect of manufacturing units and between 10 and 32 per cent in respect of sales units.

<sup>∇</sup> In test checked circles: Vadodara(92) and Surat(13).

**Blood banks**

**Act permitted the blood banks to run their activities without complying with conditions of the licences**

Central Licence Approving Authority (CLAA) grants licences to blood banks for five years at a time. The CLAA and State Authorities conduct joint inspection to grant/renew licences. The Act permitted the blood banks to carry on activities till renewal even after expiry of licence. This lacuna in the Act permitted two blood banks with serious deficiencies whose licences were subsequently cancelled to function for a period upto 37 months.

Name of Blood bank	Date of expiry of licence	Date of joint inspection	Date of closure of licences	No. of blood units collected during the period
Dr. Jivraj Mehta Smarak Blood Bank, Ahmedabad	31.12.1999	21.12.2002	05.02.2003	3576
Gujarat Blood Bank (Voluntary) Pathology Laboratory and R.I.A., Paldi, Ahmedabad	31.12.2001	21.12.2002	05.02.2003	2372
<b>Total:</b>				<b>5948</b>

The following were some of the serious deficiencies noticed during the joint inspections of these two blood banks forcing the CLAA to close them:-

- (i) Serious defects in ELISA testing of collected blood for screening for serious diseases like Hepatitis B, Hepatitis C and HIV(AIDS).
- (ii) Thermographs to monitor the temperature level of the refrigerators to store tested/untested blood bags were not working.
- (iii) Blood bank activity was intertwined with pathology laboratory activity by sharing the same equipment, premises and infrastructure in contravention of the provisions of the Act.
- (iv) Anti-sera for blood grouping which expired 3 to 36 months ago were stored in the refrigerator (in case of Gujarat Blood Bank).
- (v) No registered nurse was available (in case of Gujarat Blood Bank).
- (vi) Stored blood bags were found to be haemalysed and clumps (in case of Dr. Jivraj Mehta Smarak Blood Bank).

These blood banks had collected 5948 units of blood from donors for supplying to various patients during this period. As the effectiveness of the screening tests were doubtful, the transfusion of these blood units might have led to many health hazards. This requires urgent follow up of the recipients of these blood units by the health authorities to assess the extent of damage caused.

As of March 2003, out of 162 blood banks in the State, 50 blood banks whose licences expired on 31.12.2002 were carrying on their activities unhindered. 26 out of these 50 blood banks had collected 51349 units of blood between January and June 2003. Deficiencies, if any in these cases similar to the above two blood banks would be known only at the time of joint inspection.

## **Sampling**

### **Ineffective sampling**

**Real magnitude of Spurious/NSQ drugs sold in the market could not be assessed due to ineffective sampling**

Even though the number of manufacturing and sales units increased by 25 per cent from 18983(1997-98) to 23665(2001-2002), number of samples drawn for test/analysis increased by 8 per cent only from 3335(1997-98) to 3613(2001-02). Compared to the magnitude of the increase in the manufacturing/sales unit, the drawing of samples was inadequate. Due to the inadequacy, the manufacture/sales of spurious/NSQ drugs would remain undetected.

### **• Working of Drug Testing Laboratory**

#### **Under-utilisation of testing capacity of laboratory**

**Drugs testing laboratory was not functioning as per capacity**

As against the installed capacity for testing 57024 samples and targeted capacity of 34138 samples, only 21392 samples were tested during 1997-2003 and 1704 samples were pending as of March 2003. It was observed that the time taken for testing ranged between 3 to 4 months. The department stated that as the testing process of drugs at the laboratory involved 3 to 4 stages, a long period was required. Besides, inadequate fund for maintenance and replacement of equipment, insufficient purchase of chemicals and reagents etc were the reasons attributed for inordinate delay. However, audit found that (i) as against 72 sanctioned posts of Junior Scientific Assistant, the actual men-in-position during 1997-2003 ranged between 44 and 53 affecting the function of the laboratory. (ii) Further, out of the Central assistance of Rs.128 lakh released (1999-2001) for strengthening the State drug laboratories, Rs.99.56 lakh only was utilised besides advance payment of Rs.7.96 lakh (January 2003) for renovation of laboratory building leaving unspent balance of Rs.20.48 lakh. Hence the contention of the department was not tenable.

#### **Testing of samples medicines and drugs – time taken for reporting and the adverse impact on reporting delays**

**Delays in sending drugs for testing**

It was seen that 46 drug samples drawn by DI/SDIs were dispatched to the laboratory for testing and analysis after a delay ranging from 13 days to 67 days. The laboratory took time ranging from 24 days to 154 days to analyse them, out of which 8 were declared as NSQ.

Further, it was also found that another 46 samples received at laboratory were either in damaged conditions or in insufficient quantities; which further hampered the detection of NSQ drugs. Besides, the department had not fixed a time limit to declare the results. This gave ample scope to the unscrupulous manufacturers to retain NSQ drugs in the market without any hindrance.

#### **Follow up action on samples found sub-standard or spurious**

##### **Detection of NSQ drugs**

**Sale of NSQ drugs was not checked**

Out of total 28251 samples available for analysis during 1997-2003, results for 21392 <sup>+</sup>samples (**Appendix-XXV**) were given. Of which, 3131<sup>±</sup>(14.63 per cent) samples were declared as "Not of Standard Quality"(NSQ). Of these

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<sup>+</sup> Gujarat based 13367, Other State based 8025 (Appendix XXVI)

<sup>±</sup> Gujarat based 2012 (64 per cent) and Other State based 1119 (36 per cent) (Appendix XXVI)



NSQ samples, 126 (4.03 per cent) contained no active ingredients or wrong ingredients, 889 (28.4 per cent) had low content of active ingredients and 2116 (67.57 per cent) were of poor quality.

As soon as a drug is declared as NSQ, the administration was to initiate urgent action through the manufacturers/distributors to withdraw the particular batch of the drug from the market to prevent its use by the public. However due to the protracted procedures to be completed before declaring a drug as NSQ; a large quantity of the NSQ drugs used to be consumed by the public making disease control ineffective and injuring their health.

To assess the quantum of NSQ drugs consumed by the general public, audit test checked 107 out of 3131 NSQ cases. It was observed that in all the 107 cases the entire batch of NSQ drugs comprising of 26.22 crore tablets, 26.12 lakh capsules, 15056 litres of liquid drugs and 2534 kilograms of other items/drugs were sold to the public. The drugs included life saving drugs like dexamethazone, anti TB drugs like ethambutol, antibiotics like erythromycin, Roxythromycin, Gentamycin, Ciproflaxocin etc.

Similarly, NSQ drugs worth Rs.3.13 crore (578 batches) were purchased by Central Medical Stores Organisation (CMSO) and Employees State Insurance Scheme (ESIS) for distribution in the various Government hospitals. The consumption of NSQ drugs by the patients may have resulted in many health hazards.

Out of the 3131 NSQ drugs detected, 1119 (36 per cent) pertained to manufacturers in other States (**Appendix-XXVI**). The Administration informed the concerned State Drug Controller telegraphically for immediate action. However, in 433 cases (39 per cent), details of action taken were awaited. This indicated poor co-ordination between various State authorities in taking action. Further, 1229<sup>®</sup> NSQ drugs manufactured in the State were detected by other States, which indicated that the authority had failed to ensure the quality of drugs manufactured in the State.

### ***3.1.6 Lack of effective interaction between State and Central Authority***

**Poor Co-ordination  
between State and  
Central authorities**

State Administration was to submit (August 2000) quarterly information in respect of the retail prices of a basket of 214 drugs to National Pharmacy Pricing Authority (NPPA) to facilitate the monitoring of retail price of drugs. However, the State Administration submitted only one return (June 2002) as against five returns due upto June 2002. Thus, there was no proper co-ordination between Central and State Authorities for price fixing/price control under the Drug (Price Control) Order, 1995.

### ***3.1.7 Other points of interest***

- ***Non-replacement of substandard drugs worth Rs.68 lakh purchased by the CMSO and ESIS***

**NSQ drugs  
worth Rs.68  
lakh were not  
replaced by the  
manufacturers**

In respect of Government sector in Gujarat, drugs are purchased centrally by CMSO and ESIS. As and when samples drawn from these purchase were found substandard/NSQ, the Government Analyst (GA) would send a copy of the Test-Report (TR) to the CMSO/ESIS for replacement of drugs or for effecting recovery from suppliers of NSQ drugs as per terms of contract.

<sup>®</sup> Year-wise break-up of 1229:1997(139), 1998(144), 1999(200), 2000(227), 2001(245), and 2002 (274)

Details of samples found as substandard / NSQ drawn from Government organisations (CMSO, ESIS) was as under.

Year	Total NSQ	NSQ among		Total	Percentage of NSQ in ESIS & CSMO against total NSQ
		ESIS	CMSO		
1997-98	425	46	155	201	47
1998-99	590	45	216	261	45
1999-00	631	33	166	199	31
2000-01	446	16	157	173	39
2001-02	544	19	214	233	43
2002-03	495	27	202	229	46
<b>Total</b>	<b>3131</b>	<b>186</b>	<b>1110</b>	<b>1296</b>	<b>41</b>

The percentage of substandard/NSQ samples pertaining to ESIS and CMSO ranged between 31 and 47 per cent. Substandard drugs worth Rs. 68 lakh-Rs.55.70 lakh- (1995-96 to December 2002) CMSO and Rs. 12.30 lakh- (1980-81 to July 2002) ESIS were neither replaced by the supplier nor the cost recovered.

### **3.1.8 Monitoring**

The various regulatory functions require close monitoring to ensure that the objectives are achieved efficiently. However, it was observed that database of manufacturers/licences developed by authority was not sufficient as detailed unit-wise information was not available. A plan for countrywide computerisation of all drug control offices including drug testing laboratory has been undertaken by the Director of Health Services, New Delhi. The work was in progress (April 2003).

### **3.1.9 State Drugs Advisory Board**

With a view to advise the State Government on technical matters arising out of the administration of the Drugs and Cosmetics Act, 1940 and carry out other functions assigned, a State Drugs Advisory Board (Board) was constituted in April 1991 and was in force up to April 1993 and reconstituted in October 2002. No meeting was held since then; thus defeating the very purpose of its reconstitution.

### **3.1.10 Evaluation**

The State Government (General Administration Department) selects certain programmes/schemes/activities/departments for evaluation. No such evaluation of Food and Drugs Control Administration has been undertaken so far.

### **3.1.11 Conclusions**

As a result of shortage of manpower and loop holes in and improper application of the provisions of the Act, manufacture/supply of safe and standard drugs could not be ensured. The Administration also failed to gauge the real magnitude of the problem of NSQ drugs causing health hazards to the public. Moreover, the standard of activities carried out by the blood banks in

the State could not be ensured due to delayed regulatory functions by drug authorities.

### **3.1.12 Recommendations**

- Appointment of sufficient technical staff, as per the recommendations of Task Force Committee, should be made.
- Database of licences of manufacturers/sellers along with Management Information System and monitoring system modules should be developed to have close monitoring of various regulatory functions.
- Proper mechanism should be evolved for timely renewal of manufacture/sales licences. Licensees should not be permitted to carry on the activities merely on the ground of application for renewal of licences particularly in case of manufacturing and blood bank activities. Time limit should be fixed for processing such applications by concerned authorities.
- There should be a provision for compounding of offences to minimize the number of litigants. Offences attracting imprisonment of more than three years only are treated as cognizable offence. There is a need to amend the Act to make all the offences under it as cognizable.
- Deterrent penalty should be imposed for manufacture or sale of adulterated/ spurious or misbranded drugs irrespective of their intensity.

## **NARMADA, WATER RESOURCES AND WATER SUPPLY DEPARTMENT**

### **3.2 Accelerated Irrigation Benefit Programme**

#### **3.2.1 Introduction**

A large number of River Valley Projects, both multipurpose and irrigation, spilled over from plan to plan mainly because of financial constraints faced by the State Governments. At the end of VIII Plan (1996-97) there were nine major and thirteen medium ongoing irrigation projects in Gujarat State, on which Rs.5346.38 crore were spent, in various stages of completion. With a view to realising the irrigation potential (IP) of such projects over the next four working seasons, i.e. in two years period, "Accelerated Irrigation Benefit Programme" (AIBP) was launched in 1996-97.

Under the Programme, Central Loan Assistance (CLA) is provided to the State Governments. For the purpose of assistance, projects were classified in two categories (i) multipurpose projects each costing more than Rs.500 crore where substantial progress has been made and (ii) major and medium irrigation projects excluding the above which were at an advanced stage of

completion where, with just a little amount of resources, the project could be completed and farmers could get the benefits of assured water supply.

In Gujarat State during 1996-97 to 2002-03 a total of fourteen category (ii) projects with total CLA of Rs.75.813 crore were covered under AIBP.

### 3.2.2 Planning

**Four projects remained incomplete due to lack of initiative on the part of Department**

At the time of launching AIBP the Planning Commission had identified nine major and thirteen medium irrigation projects in Gujarat. Of these, five major and five medium projects with a plan to create additional potential of 49028 ha were selected for CLA\* in 1996-97. On completion of six projects in 1999-2000, three more projects (Aji-IV, Ozat-II and Brahamni-II) with a plan to create IP of 10761 ha were proposed and covered under AIBP during 2000-01 and one project i.e. Bhadar-II with a plan to create 8570 ha potential was proposed and covered under AIBP during 2002-03. In all nine projects were completed, creating 25172 ha of IP as against the target of 68359 ha. Thus, injudicious selection of additional projects without ensuring completion of earlier projects led to creation of only 37 per cent of the targetted potential.

### 3.2.3 Financial Management

CLA under AIBP was released on matching (1:1) basis (Central: State) till 1998-99 which was enhanced to 2:1 from 1999-2000 onward excluding establishment cost. From February 2002, quantum of CLA was further enhanced to 4:1 for reforming States<sup>♦</sup> and 100 per cent to "Fast Track" projects<sup>♦</sup> including 15 per cent on account of establishment cost from states share, subject to executing MOU between the State Government and Government of India, Ministry of Water Resources.

#### • Inadequate release of State's share

**Inadequate release of state's share affected completion of projects**

It was observed that during the year 1997-98, the State Government released only Rs.17.49 crore as its share against Rs.19.90 crore required to be released as per the Central State ratio of 1:1. Even out of the released amount of Rs.17.49 crore, the expenditure incurred was Rs.15.79 crore. Likewise during the year 2000-01, the State Government was required to release, as its share, Rs.10.90 crore (against the CLA of Rs.21.85 crore-ratio being 2:1). It, however, released Rs.4.34 crore only. While Aji-IV and Brahmni-II projects did not receive any allotment during this year, the allotment on Mukteshwar project was less by Rs.0.33 crore as per the ratio. Owing to inadequate release of funds, the completion of these projects was adversely affected. Aji-IV and Mukteshwar projects scheduled to be completed during 2000-2001 are now rescheduled for completion by March 2004. It is feared that it may not be possible for the government to adhere to the revised schedule owing to delay

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* 5	1996-97
5	1997-98
3	2000-01
1	2002-03

<sup>♦</sup> State which agreed to introduce reforms in irrigation sector and rationalise their water rates to recover full O & M cost of irrigation projects in five years.

<sup>♦</sup> Projects which could be completed within one year.

in acquisition of land, rehabilitation of affected persons and finalisation of distribution system etc. Even after inclusion of these projects under AIBP, these could not achieve the envisaged benefits.

• **Inadequate provision of funds**

State Government failed in its obligation to provide matching grant

From 1999-2000 onwards CLA was payable in the ratio of 2:1 (Central : State). It was obligatory on the part of State Government to make budget provision to the extent of 1.5 times of the CLA on receipt thereof. It was, however, found that during the period 2000-01 to 2002-03 neither was the CLA released to the extent of sanctioned amount nor did the State Government make the required budget provision as indicated below:

**(Rupees in crore)**

Year	Projects	CLA sanctioned	CLA actually released	States share	Budget provision to be made	Actual provision made by Government	Fund actually released
2000-01	Aji IV	20.70	10.35	10.35	31.05	11.38	10.25
	Ozat II	5.50	5.50	2.75	8.25	5.498	5.65
	Brahmani- II	8.00	4.00	4.0	12.00	2.00	1.80
2001-02	Aji IV	9.13	--	4.70	13.83	6.38	4.58
	Ozat II	7.87	5.16	3.93	11.80	7.87	7.72
	Brahmani- II	8.30	--	4.15	12.45	1.50	0.31
2002-03	Aji IV	14.52	0.665	7.48	22.20	2.0	2.95
	Ozat II	13.27	1.115	6.63	19.90	1.36	1.90
	Brahmani- II	12.50	--	6.23	18.73	2.50	0.79
<b>Total</b>			<b>26.84</b>				<b>35.95</b>

This hampered the completion of the project and denied quick benefits.

• **Diversion of funds to other purpose**

Funds diverted for liquidating past liabilities

According to Government instructions, the CLA was to be spent only on such approved items of the project which were remaining incomplete. It was, however, noticed that Executive Engineer Project Construction Division-I Rajkot and Junagadh Irrigation Project Division utilised the central assistance of Rs.8.04<sup>♦</sup> crore during 2000-01 to 2002-03 on items not covered under the programme i.e. for making payments to contractors on components of works already completed.

• **Outstanding utilisation certificates (UCs)**

State Government availing of CLA under AIBP was required to submit audited statement of expenditure (SOE) on the projects together with UC within nine months of completion of financial year. It was seen that Government did not furnish any of the SOE and UCs for Rs.75.81 crore in respect of any of the projects since 1996-97 to 2002-03.

<sup>♦</sup> Executive Engineer PCD-I Rs.5.42 in 2000-01 and Rs.1.22 crore 2001-02, Executive Engineer JIPD Rs.1.4 crore in 2002-03

### 3.2.4 Physical performance

**Only 55.76 per cent of potential created was utilised**

It was observed that out of 14 projects covered under AIBP, nine projects have been completed as of March 31, 2003. Out of the remaining five projects, three projects have not been commissioned because of problem of rehabilitation and resettlement of affected people, land acquisition (Aji IV, Bhadar II) and for want of Spill way gates (Ozat II). The fourth project (Mukteshwar), owing to non-completion of distributaries, supplies water to 100 ha only against the potential to irrigate 6186 ha. Work on Brahmani II, the fifth one, has been stopped (September 2001) due to shale problem in foundation which has not been solved so far (March 2003). Out of the completed Projects, IP of 22080<sup>♥</sup> ha of Sipu reservoir could not be utilised due to agitation of the downstream farmers who were likely to be affected due to non availability of water in the river once it is released in to the canal.

Against 63727 ha IP planned to be created under AIBP within two years, potential of only 29482 ha i.e. 46 per cent was created as of March 2003 after completion of seven years. Further the utilisation of potential was 16601 ha i.e. 55.76 per cent of the IP created. Department attributed creation of less potential to financial constraints, land acquisition problems, delay in finalisation of tenders, etc. The contention of the department was not tenable since these aspects could have been considered at project formulation level itself and ensured that adequate steps were taken to overcome the problems.

#### • *Projects completed without creation of required potential*

In Karjan, Sipu & Deo projects, the potential planned to be created under AIBP was 14650 ha, 2420 ha and 1335 ha respectively. The potential actually created was, however, 5990 ha, 1020 ha and 322 ha respectively i.e. less than even 50 per cent. In respect of another project namely, Umaria the potential created was 162 ha against planned potential of 316 ha i.e. just above 50 per cent. The creation of such lower potential, despite the fact that projects have been completed in all respects, defeated the envisaged purpose.

#### • *Non creation of potential*

**No potential could be created due to shale problem**

Brahmani-II project was proposed for CLA since 2000-01. However, no IP has been created at the end of March 2003 as the work has been stopped since September 2001. The Executive Engineer stated (April 2003) that during the excavation of foundation of Spill way, shale layer was found which resulted in temporary hold up of construction activity. The reply is not tenable as the work on project has not re-commenced even after lapse of 24 months since the stoppage despite submission of report of Expert Committee and Central Design Organization.

#### • *Users Associations*

In Sukhi project 23 water users associations (WUA) have been formed for 3468 ha. Out of which, 1031 ha were handed over to WUA. Similarly in Deo

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<sup>♥</sup> Total potential of the project including AIBP

project, 7 WUA were formed for 476 ha and only 92 ha were handed over to WUA. In remaining seven projects, formation of WUA was under process. Non-creation of sufficient WUA would affect the effective water management.

• **Public Participation for AIBP**

Public participation should have been the cardinal principle for the successful implementation of the whole programme. It was, therefore, very essential to have public involvement right from the planning stage of the programme to their operation and maintenance. Involvement of Non Government Organisation and private agencies including national and international companies, if any, was to be explored and given due importance by State Government/executing agencies. Government neither examined nor implemented or even explored possibility of this kind of participation.

• **Mass awareness programme**

The AIBP was launched for accelerated completion of ongoing projects and thereby increasing productivity and agricultural production with the help of farmers. No action was taken by Central Water Commission to create awareness amongst the project implementing authorities for accelerating completion of projects so that it may start generating revenue and encourage greater utilisation of potential. No separate account for assets created under AIBP were maintained.

• **Monitoring**

The Projects covered under AIBP were required to be monitored through State Level and Project Level Monitoring Committees. It was seen that these committees have not been formed by the Government. The projects under AIBP were monitored only through routine monthly and quarterly progress report.

No system for monitoring and evaluation of projects was evolved

**3.2.5 Impact Assessment**

Impact assessment carried out in five projects i.e. Jhuj, Karjan, Ozat-II Umaria, and Watrak revealed that 5420 number of farmers were benefitted under AIBP. Impact of crop assessment carried out in Umaria and Watrak project revealed that against the expected increase of 10244 MTs in crops production the actual increase was a meager of 3284 MTs (32.05 per cent).

**3.2.6 Conclusions**

Against the targeted Irrigation Potential of 63727 ha\*, the potential created by these projects was only 29482 ha (46 per cent). Even of the potential created, only 16601 ha was put to use. Audit observed that five of the fourteen projects, though required to be completed within two years from the availability of Central Loan Assistance, were incomplete. Against the expected potential of 24922 ha to be created on these five projects, the creation was very poor (4300 ha). Of this, the utilisation was significantly less

\* from 14 major irrigation projects

i.e. 450 ha. The investment of Rs.67.027 crore on these five projects failed to give any desired return in terms of either creation of potential or increase in productivity. The State Government did not give any reason for failure to cover these projects under the Fast Track Programme.

### **3.2.7 Recommendations**

- The State should take fewer projects and complete them expeditiously rather than spending resources thinly across project resulting in delays in completion.
- The State Government should release matching grants and ensure accountability in spending to avoid diversion and blockage of funds.
- Urgent steps need to be taken to ensure full utilisation of the potential created in the completed projects so that the benefits are passed on to end users.
- The water users associations be involved in all the projects.

**3.2.8** The matter was reported to Government in July 2003; the reply was not received (December 2003).

## **3.3 Saurashtra Pipe Line Project (Mahi Based Water Supply Scheme)**

### **3.3.1 Introductory**

Government sanctioned (April 1999) Saurashtra Pipeline Project (SPP) to augment the sources of existing/proposed water supply schemes (WSSs) of 1860 severely affected villages of Ahmedabad, Amreli and Bhavnagar districts. According to a master plan drawn in 1996, these villages were to be supplied 211 million litres per day (MLD) water from Narmada Canal Based Drinking Water Supply Project (NCBDWSP). This work however, could not be taken up due to litigation in the Supreme Court.

### **3.3.2 Project execution**

Mahi Canal System (MCS) was supplying water for irrigation to the vast command area of Kheda and Anand Districts. Pariej/Kanewal tanks fed by MCS were identified as source for SPP. The SPP envisaged construction of pump houses/sumps<sup>@</sup> at Pariej, Kanewal, Pipli, Navda, Vallabhipur and Botad (see diagram) and it was proposed to lay MS Bulk pipelines. The project was aimed at drawing 287<sup>^</sup> MLD water.

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<sup>@</sup> Pump houses at Pariej/Kanewal and Pipli and sumps at Pipli, Navda, Vallabhipur and Botad

<sup>^</sup> 275 MLD plus 12 MLD (4.5 per cent treatment plant wastage and transmission loss)



## **Diagram of Pipeline**

The project, estimated to cost Rs.409 crore was executed by Gujarat Water Supply and Sewerage Board (GWSSB). The work of SPP started in July 1999 and water supply commenced in December 2000. Certain ancillary works which remained incomplete were completed in April 2002. The total expenditure incurred on the project as at the end of March 2003 was Rs.464.17 crore.

• ***Strengthening of tanks and improvement to canals***

**Irrigation Department did not complete pitching work despite availability of funds**

Works of strengthening of Pariej and Kanewal tanks and improvement of canals estimated to cost Rs.14.09 crore were entrusted (November 1998) to Nadiad and Petlad Irrigation Divisions as Deposit works. Against the deposit of Rs.12.50 crore made (November 1998), works (excepting pitching of Pariej tank) were completed (December 2001) at a cost of Rs.10.75 crore. Irrigation Department neither refunded the balance of Rs.1.75 crore nor carried out the pitching work (January 2003).

Irrigation Department did not carry out the pitching work on the ground that the water supply was to be commenced on emergency basis. Taking up of the work during lean period of 2002-03 (winter) also did not materialise. The Government stated (July 2003) that taking up the work would be considered in October 2003 depending upon the final water scenario.

• ***Wasteful expenditure on pumping of Narmada water***

**Water pumped at the cost of Rs.19.63 lakh proved wasteful**

After the Supreme Court vacated the stay (February 1999) on construction of Sardar Sarovar Dam, Sardar Sarovar Narmada Nigam Limited (SSNNL) constructed a bye pass tunnel (February 2001) at the head works for flow of water into the main canal by gravity. The SPP was to be dovetailed with NCBDWSP from Vallabhipur branch canal at Navda and Vallabhipur. But this could not be done as lining of Narmada canal was not done and linked with Navda/Vallabhipur sumps of SPP.

During August-October 2002, the Board pumped 63.56 MCM of water from Narmada canal into the Vallabhipur branch canal at a cost of Rs.19.63 lakh even though the GWSSB was aware that there was no link established between the Narmada canal and Navda/Vallabhipur sumps of SPP. The entire expenditure proved wasteful.

The reply of the Government (July 2003) that water was lifted to Vallabhipur Branch canal on request from SSNNL for its testing is not acceptable as the Vallabhipur canal works was itself not complete. Further, pumping operation for three long months for testing was incomprehensible particularly when the State was reeling under severe draught condition due to scanty rain.

***3.3.3 Benefits derived***

**No prospects of optimum utilisation of the installed capacity due to non-execution of distribution network**

The gross average daily intake from Pariej/Kanewal during the two years of its operation (December 2000 to November 2002) was 119.18 MLD (42 per cent of capacity utilisation) only. Of the envisaged coverage of 1860 villages/ towns (3.44 million population), benefit reached only to 543 villages covering 1.51 million people (March 2003).

Water Supply Schemes (WSSs) for another 348 villages/towns with a population of 1.34 million were sanctioned recently only (March 2003) with targeted date of completion in March 2004. The Government is yet to sanction WSSs for the remaining 969 villages/ towns envisaged catering to 0.62 million population.

With the projected requirement of 211 MLD in 2021 and large number of unexecuted distribution networks, there was no prospects of optimum utilisation of the capacity of 287 MLD created in foreseeable future.

Thus, even after two years of execution of an augmentation project (Rs.464.17 crore), benefits could be derived to the extent of 44 *per cent* of the envisaged population only.

Government stated (July 2003) that network systems were lengthy and it would take more time to implement.

**94 per cent of beneficiaries were supplied with raw water unsuitable for human consumption**

Further, of the 1.51 million beneficiaries, 1.42 million population (94 *per cent*), in 503 villages/towns was supplied with raw water as there was no filtration arrangement at the headworks exposing them to risk of contacting water borne diseases. Government stated (July 2003) that funds had to be mobilised for creating filtration facilities and these works were in progress.

### **3.3.4 Emergency water supply for SPP**

The year 2000-2001 witnessed an unprecedented drought in the State. Even proven sources in the State had dried-up and the people of Saurashtra region were in acute need of water and had to consume raw and unpotable water. Government, therefore, decided (January 2001) to lift available water from the Sardar Sarovar dam and supply to Pariej and Kanewal tanks through MCS. The scheme estimated to cost Rs.40.10 crore was executed in January-February 2001 at a cost of Rs.48.15 crore. This included Rs.18.33 crore spent by Gujarat Electricity Board (GEB) for providing infrastructural facilities and energy charges. During February-June 2001, 258.59 MCM water was lifted from Sardar Sarovar, of which only 52.20 MCM water was supplied to the SPP through Mahi canal. The remaining (206.39 MCM) was supplied for Thermal Power Plant of GEB at Wanakbori, Vadodara Municipal Corporation and Industries situated in the Municipal Corporations of Vadodara and Ahmedabad districts, contrary to the stipulation of Government orders in January 2001.

**Rs.48.15 crore spent for lifting water from Sardar Sarovar was injudicious**

Though SPP utilised only 20.18 *per cent* of water, entire expenditure of Rs.48.15 crore was borne by the Board. No recovery for the water charges has been effected from the concerned corporations and industries.

(i) Of the 87 pumps installed to lift water from Sardar Sarovar, 8 pump sets were installed at a cost of Rs.1.00 crore during the period April-May 2001 and were utilised for 17 days to 37 days only and not put to use since then. The reply (July 2003) of Government that pumps were installed on need basis is not acceptable as only a fraction of water pumped was utilised for SPP.

(ii) The turn-key work order provided for, besides other things, supply of cables for the pump sets. Of the cables worth Rs.2.15 crore procured

(December 2000), cables worth Rs.0.95 crore (44 per cent) only were utilised ending May 2001 and remaining were rendered surplus. Thus, the wrong estimation resulted in avoidable expenditure of Rs.1.20 crore. The Government stated (July 2003) that savings in cables were due to change in location of electrical installations.

### 3.3.5 Avoidable liability

**Demand of Rs.13.36 crore raised for Irrigation Department was not met**

Government reserved 250 MLD water (February 1999) from Mahi Project on payment of such charges as may be fixed by Government from time to time. The GWSSB did not pay water charges to the Government though a demand of Rs.13.36 crore was raised (October 2002). As a result, avoidable liability of Rs.4.86 crore was created towards interest/ penalty (December 2002) to Government of Gujarat.

**Non-payment of GEB dues resulted in avoidable liability of Rs.1.48 crore**

Out of the demand of Rs.18.33 crore raised by Gujarat Electricity Board towards the infrastructure provided at Sardar Sarovar dam site and energy supplied, Gujarat Water Supply and Sewerage Board paid Rs.10.00 crore (March 2003). Non payment of remaining amount has resulted in creating an avoidable liability of Rs.1.48 crore towards interest. Government stated (July 2003) that non-payment was due to giving priority to expenditure related to water supply.

### 3.3.6 Undue favour to contractors

**Excess expenditure of Rs.19.22 crore in not awarding works to lowest tenderer**

The work of SPP was divided into four packages viz SPP1 to SPP4. Agency 'A' who stood lowest in three packages was however awarded SPP1 alone on the ground that no agency was prequalified for more than one package. SPP2 and SPP3 were awarded to second lowest agencies 'B' and 'C' respectively. As for SPP4, the quotation of lowest agency 'D' was rejected after reworking 'net present cost'. This package was awarded to Agency 'C' violating earlier decision (not to award more than one package to same agency). Award of SPP2 to SPP4 to the respective second lowest agencies resulted in excess expenditure of Rs.19.22 crore as shown below:

(Rupees in crore)			
Package	L1 (Rates quoted by lowest agency)	L2 (Rates quoted/negotiated by second lowest agency) to whom work was awarded	Excess expenditure incurred
SPP1	106.68	122.53	--
SPP2	79.02	89.00	9.98
SPP3	48.53	57.00	8.47
SPP4	51.93	52.70	0.77
<b>Total</b>			<b>19.22</b>

**Unintended financial aid and delayed completion of works**

The turn-key contract provided for payment of rates for completed items. It also provided for release of funds at a prescribed percentage on the value of work reaching the stages specified. On a request for more funds from the agency entrusted with SPP1 to speed up the work, GWSSB allowed (June 2000) upward revision<sup>▼</sup> of percentage value for the initial stages. This revision without rescheduling the time limit facilitated the agency to receive more

▼ Rates for supply of pipes 55 per cent of contract value (45 per cent for barepipe and 10 per cent for guniting) were revised to 65 per cent (60 per cent for barepipe and 5 per cent for guniting) of contract value.

funds in advance than what was provided in the agreement. This resulted in unintended financial aid ranging from Rs.2.89 crore (February 2000) to Rs.12.88 crore (July 2000). Moreover, the agency completed the work in April 2001 taking 83 *per cent* extra time beyond the stipulated date of completion (June 2000).

Further due to slow progress of work, the agency could not execute (December 2000) internal lining of MS pipeline (for preventing damages due to friction/corrosion) before the project was opened for water supply. This resulted in shutting down of the project for three months (October to December 2001) for completing the lining works and thereby denied benefits of the project to the worst affected people during the period.

### 3.3.7 Recovery of revenue

Against demand of  
Rs.5.38 crore  
recovery was  
Rs.6.52 lakh

As against water charges of Rs.34.99 crore (February 2001 to June 2002) realisable from various local bodies (December 2002), GWSSB raised demands for Rs.5.38 crore and realised a negligible amount of Rs.6.52 lakh only (March 2003). Out of 694 local bodies benefited (including 151 local bodies outside the project area) demands were raised on 305 local bodies only. Further, out of 305 local bodies on whom demands were raised only one local body made the payment. Government stated (July 2003) that action is being taken to gear up recovery.

### 3.3.8 Conclusions

As against the envisaged coverage of 1860 villages only 543 villages were covered and 56 *per cent* of the population was deprived of the benefits from the project. Raw water was supplied to 503 villages, out of 543 villages covered and 94 *per cent* of the beneficiaries got water unsuitable for human consumption. Due to non-execution of distribution canal works and pitching work at Pariej, the passing of benefits to the beneficiaries got delayed.

Recovery of Rs.34.92 crore from various local bodies for water supplied was not made, eroding the financial position of the Gujarat Water Supply and Sewerage Board. Besides, due to non-payment of demand of Rs.31.66 crore from Gujarat Electricity Board and State Irrigation Department, avoidable liability of Rs.6.34 crore on account of interest/penalty was created.

### 3.3.9 Recommendations

- Expeditious steps may be made for recovery of Rs.34.92 crore realisable from various local bodies on account of water supplied.
- The demand of Rs.31.66 crore by Gujarat Electricity Board and State Irrigation Department be cleared to avoid further liability of interest penalty.
- Water treatment arrangement may be made in 503 villages where raw water is being supplied in order to avoid risks of water borne diseases.
- Urgent steps be taken to cover 1317 villages as envisaged in the programme.

## HOME DEPARTMENT (MOTOR VEHICLES)

### 3.4 Computerisation Programme in Motor Vehicle Department

#### 3.4.1. Introduction

In tune with the policy of Government to make extensive use of Information Technology (IT), Motor Vehicles Department<sup>♥</sup>, took up various projects in order to make governance more people oriented. Accordingly, Commissioner of Transport (COT) prepared a blue print of Integrated Management Information System (MIS) for its effective and speedier functioning. The projects implemented to achieve the objective were Automation of Inter State Check Posts (AISCP) by introduction of computerised weigh bridges and related systems, Smart Card Based Driving Licence System (SCBDL), Smart Card Based Registration of Vehicle (SCBRV) and development of MIS including installation of Local Area Network (LAN) and Wide Area Network (WAN) systems. Important points noticed during test check of records of COT, Ahmedabad, three RTOs,<sup>•</sup> three check posts<sup>α</sup> and Central Monitoring Centre (CMC), Ahmedabad for the period 1998-99 to 2002-2003 are shown in the succeeding paragraphs.

#### 3.4.2. Finance

Out of total project costs of Rs.27.40 crore (AISCP, SCBDL, and MIS) expenditure of Rs.26.40 crore was incurred by COT during 1998-99 to 2002-03. In addition Roads and Buildings Department incurred an expenditure of Rs.44 crore on widening of Roads at the check posts. Moreover, SCBRV being a project executed on build, own, operate and transfer (BOOT) basis, expenditure (Rs.173.97 crore) was to be incurred by the contractor and in turn recovered from the vehicle owners. Shortfall in the implementation of each project is reflected in the following Audit findings:

#### 3.4.3. Automation of Inter-State Check Posts

To facilitate checking of motor vehicles under Motor Vehicles Act 1989, computerised check posts (10) were created with the objectives of increasing government revenues by improving efficiency of check post operation. In the computerised process all the check posts were to be monitored at a central location using video cameras installed at every check post cabin. An electronic weighbridge captures the weight and the computer issues a demand note automatically for fine, if any for overweight. Drivers can use a stored value card for payment.

The COT awarded (October 1999) the contract for the project to Design Solutions Ltd. (DSL) on turnkey basis at a cost of Rs.18.98 crore to be completed by March 2000. The DSL was required to operate the system with their staff, for one year from the date of completion of installation.

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<sup>♥</sup> Headed by Commissioner of Transport, Ahmedabad (COT) and functioning under the Administrative control of Home Department

<sup>•</sup> Ahmedabad, Rajkot and Vadodara

<sup>α</sup> Bhilad, Shamakhyali and Shamlaji

• *Excess infrastructure created*

Twenty two WBs were installed in excess of requirement

In 10 check posts 58<sup>⊗</sup> Weigh Bridges (WB) and related equipment costing Rs.18.98 crore were installed. No norms were adopted by COT for assessing the requirement of WBs. Hence, Audit considered Amirgadh check post where four WBs<sup>#</sup> were able to perform all the required functions relating to 2200 vehicles a day as a benchmark for assessing the requirement. Considering this, one WB could serve 550 vehicles on an average per day. Based on this standard of 550 vehicles, total requirement of 60 MT WBs was only 16 as against 38 installed (**Appendix XXVII**). Thus infrastructure for 22 WBs (Rs.7.20 crore) was created in excess of requirement, which also led to avoidable payment of maintenance charges of Rs.1.83 crore (for three years).

28 WBs (Rs.9.16 crore) were lying idle during the operational period.

During the operational period (July 2000 to August 2002) DSL operated only 30 WBs deploying 90 operators, as against 174 operators (three persons per WB for 8 hours each) required to operate all the WBs. Thus 28 WBs costing Rs.9.16 crore were lying idle or under-utilised. The COT attributed (October 2003) installation of more WBs to extreme growth of vehicles in the State. This was not tenable as more WBs could be added to the system subsequently as and when required instead of keeping the WBs unutilised/underutilised.

• *Non-installation of card readers*

In order to avoid manual intervention in the payment process at check posts electronic payment system, where the drivers could use a stored value card for payment of penalty, was to be introduced in the check posts. Accordingly, installation of 58 Card Readers costing Rs.18.27 lakh was provided in the contract. However, the DSL did not install them. COT stated that it was not a feasible solution due to constraints *viz.* procedure for issuing payment card, method of refund (if any) and unwillingness of Banks. It indicates that the COT has not made sincere effort to implement a foolproof system for collection of amount payable by the truck drivers.

• *Connectivity*

The contract originally provided for connectivity of Central Monitoring Centre with the check posts through Very Small Aperture Terminal (VSAT), which provides faster response time and higher quality service than leased or dial-up lines. But DSL with concurrence (February 2000) of COT provided dial up linkage system (leased line) through Department of Telecommunications (DOT) and saving of Rs.33 lakh on this account was utilised for construction of Central Monitoring Centre. COT stated (October 2003) that due to high recurring cost, Government has decided to go for leased line in place of VSAT. The reply was not tenable as the action was against the original agreement. Moreover, the dial up line being a cable operating system, any fault in cable would affect the monitoring and due to slow speed of data and video communication, timely reporting would not be possible.

<sup>⊗</sup> 100 MT-20 and 60 MT-38

<sup>#</sup> Two 100 MT and Two 60 MT

• *Idle equipment*

Equipment worth Rs.60 lakh were lying idle at CMC since August 2002

Central Monitoring Centre (CMC) at HQ (Ahmedabad) set up for monitoring of online data and video from all the check posts started functioning from 5<sup>th</sup> March 2001. Video system and computers costing Rs.59.78 lakh were installed for this purpose. Though the CMC was required to monitor all the check posts simultaneously round the clock, no data was received from Ambaji, Shamakhyali and Zalod check posts.

Moreover, at no point of time, data from all the 10 check posts was received (**Appendix XXVIII**). From 28th August 2002 onwards, no data was received from any of the check posts. In the absence of on line connectivity, monitoring of the check posts at CMC was not possible.

Thus, the very purpose of setting up of CMC was defeated besides equipment costing Rs.59.78 lakh were lying idle since August 2002. COT stated (October 2003) that all check posts were connected with CMC by leased line and the monitoring process is in working condition. The reply was not tenable, as no monitoring has been carried out from the CMC since August 2002. In the absence of monitoring, pilferage of revenue could not be prevented.

Equipment worth Rs.13.88 crore was lying idle for want of repairs

According to the agreement, DSL was to maintain the WBs and related installations for a period of 15 years after one year of operation (August 2001). However, annual maintenance contract was entered into only in February 2003 only due to vague clause in the original agreement, which did not stipulate the rate of maintenance contract.

Thus, implementation of the project without adequate provision for maintenance and operation resulted in equipment worth Rs.13.88 crore lying idle (including 28 WBs went out of order) since August 2002. COT stated (October 2003) that as per AT the rate of AMC was to be decided by Government after warranty but DSL did not agree for that rate. Hence Government has decided to float new tender.

As against 250 computers purchased for installation, COT purchased (November 2001 to June 2002) 500 computer-tables and chairs costing Rs.25 lakh and distributed to various offices. This resulted in avoidable expenditure of Rs.12.50 lakh being the cost of excess 250 computer tables and chairs.

• *Wasteful expenditure*

Though DSL was required to provide connectivity, COT paid (April 2000) Rs.35.93 lakh as advance rent for one year (2000-01) to DOT for leased line connectivity to 24 RTOs and 10 check posts which was outside the scope of agreement. However, the connectivity was not established with any of the RTOs during 2000-01 and utilisation at check posts was negligible i.e. 25 days in one check post (Shamlaji). Thus the expenditure of Rs.35.93 lakh was rendered wasteful. This amount remained to be recovered from DSL. COT stated (October 2003) that 10 check posts have been provided with 64 Kbps lease circuit and connectivity between RTO offices and Ahmedabad has been cancelled and BSNL was being approached for refund.



**Equipment at check posts were operational for only one year. Only WBs were used regularly.**

• *Status of equipment at check-posts*

Most of the equipment installed at Bhilad (Rs.3.92crore) and Shamlajee (Rs.3.92 crore) check posts were used for only one year and the remaining were either not operational or not installed at all. In Shamakhiyali (Rs.1.96 crore) check post, all the equipment were either not installed or not used at all as weighbridges were damaged during earthquake. The status as of February 2003 was as shown in **Appendix XXIX**. In other check posts only weighbridges were used regularly.

• *Evaluation*

While revenue<sup>0</sup> from check posts has increased compared to previous year by 78 per cent in 2000-01 and 43 per cent in 2001-02, the increase in 2002-03 was only two per cent. In two<sup>3</sup> check posts revenue went down by 10 to 23 per cent during 2002-03. This indicates that the objectives of the system, i.e. to check cent per cent vehicles, stricter compliance with rules, elimination of corruption and overall efficiency and economy were not fully achieved. This was also evident from the report of a survey carried out by Centre for Electronic Governance, Indian Institute of Management, Ahmedabad in November 2002 which pointed out many malpractices in the check posts.

**3.4.4 Smart Card Based Driving Licence (SCBDL)**

To curb the evils<sup>⊗</sup> of paper based driving licences, COT introduced Smart Card Based Driving Licences (SCBDL).

The Smart Chip Limited (SCL) was awarded (January 1999) contract for supply and installation of SCBDL system at a total cost of Rs.2.60 crore (Rs.7.82 lakh per system) in all the 25 RTOs in the State along with 200 Hand Held Terminals (HHT) (Rs.0.32 lakh each) for on-line monitoring of smart cards by traffic inspectors by April 1999. Out of 25, only 19 RTOs were covered under the project (March 2003).

**HHT worth Rs.61.43 lakh was lying idle for want of operational environment**

Out of 200 HHTs required to be supplied, 192 (cost Rs.61.43 lakh) were supplied (May 1999). Since paper-based driving licence was prevalent at the time of purchase, there was no immediate requirement of HHT. Moreover, even after four years and issue of 21 lakh Cards, the equipment could not be utilised for want of environment. COT stated (October 2003) that purchase of HHT was planned with the original tender of SCBDL and could not be utilized as the Central Server was not ready.

<sup>0</sup> 1999-2000:Rs.93.10 crore, 2000-01: Rs.165.68 crore, 2001-02:Rs.236.34 crore, 2002-03: Rs.240.76crore

<sup>3</sup> Amirgardi and Shamakhiyali

⊗ traffic offences not recorded, errant drivers go unpunished, fake licences replace cancelled licences, fake entries recorded to make fraudulent insurance claims.

**Failure of COT to create the environment for operation led to unfruitful expenditure of Rs.12.10 crore**

Thus, failure on the part of COT to implement the SCBDL project without creating the environment for its utilisation resulted in unfruitful expenditure of Rs.12.10 crore (Rs.1.60 crore on systems and Rs.10.50 crore on cards) besides defeating the purpose of computerisation.

#### **3.4.5. Smart Card Based Registration of Vehicles (SCBRV)**

To arrest the malpractices in the existing system of paper based Registration Certificate (RC) Books, and to enable stricter and efficient enforcement of traffic regulations, COT introduced SCBRV with the exclusive security system covering vehicle details, tax payments, penalties paid, insurance details etc. M/s. Shonk Technologies Ltd. (STL) was awarded the contract for issue of SCBRV on BOOT basis, which included conversion of old paper based RC books. Tenure of the project was 15 years commencing from 1 September 2001 or on completion of 60 lakh SCBRVs whichever was earlier. The company was to levy Rs.200 for two wheelers, Rs.400 for four wheelers and Rs.600 for commercial vehicles per smart card.

##### **• Selection of Total Solution Provider**

Out of ten offers received (30<sup>th</sup> July 1999) the Secretaries' Purchase Committee (Committee) qualified two agencies viz. M/s. Intellicon Pvt. Ltd. and the STL. The first agency, however, withdrew its offer before finalisation of the tender. The Committee, instead of re-tendering, considered the offer of the other agency on the plea that withdrawal of one qualified agency does not disqualify the other. Thus the element of competition in the tender was lost.

##### **• Avoidable liability on vehicles owners**

The cost of 1.5 MB Optical card with 1 KB Memory Chip Card was fixed at Rs.289.95, which included cost of card Rs.273, cost of hardware Rs.6.95 and cost of implementation Rs.10. The Committee accepted this offer on the plea that Government fund was not involved.

**Additional burden of Rs.133.80 crore was imposed on vehicle owners due to selection of high capacity Optical Fibre Card for SCBRV**

The optical card stores information of about 1200 pages. According to a study conducted by Smart Chip Ltd. with respect to activities regarding vehicles, a card of 1 KB was sufficient to meet the requirement of driving licences, registration certificates and permits, even in case of commercial vehicles where the card is frequently used for updating of road tax payments, permits etc. Since 1 KB card costing Rs.50, being used for driving licence, the same capacity was sufficient to meet the requirement of registration certificate also, selection of 1.5 MB card costing Rs.273 was exorbitant, as only 0.07 per cent of the capacity of the card would be used for this purpose. Hence, there was no justification in issuing such costly cards. For 60 lakh cards additional liability on vehicle owners would be of the order of Rs.133.80 crore. COT stated (October 2003) that 1KB chip was not sufficient to store complete vehicle registration data. Hence the Committee recommended 1.5 MB chip. This was not tenable, in view of what is stated above.

• *Penalties for delay in implementation and operational deficiencies*

**Penalty of Rs.90.89 lakh was recoverable for delay in implementation and operational deficiencies**

As against 21 RTOs to be covered by September 2002, only seven RTOs were covered under the project upto March 2003: There was delay ranging from two to fourteen months (as of March 2003) in commencement of the project. As against 4 lakh cards to be issued, only 1.15 lakh cards were issued. Thus, STL was liable to penalty<sup>α</sup> of Rs.82.63 lakh for delay in implementation and Rs.8.26 lakh for operational deficiencies<sup>β</sup> for which no action has been initiated so far (November 2003). COT stated (October 2003) that no target was fixed for issue of cards by the contractor. This was not tenable as the agreement provided for the above penalties.

**3.4.6. Management Information System (MIS)**

**Delay in developing in MIS led to underutilization of computers worth Rs.5.40 crore besides defeating the computerisation process**

The MIS was to be developed by Magnum Fincap Ltd (MFL) (cost Rs.42 lakh) and installed at various offices under COT within 15 months commencing from June 1999. Computers and peripherals worth Rs.5.40 crore were purchased for this purpose in November 2001. An amount of Rs.31.50 lakh was paid to MFL during 2001-02. However, as of March 2003, MFL could not complete the MIS as per requirement of the department. Thus, the project, planned to complete by August 2000 remained incomplete even after two and half years from the stipulated date of completion. This, besides defeating the computerisation process in Transport Department led to underutilisation of computers costing Rs.5.40 crore in addition to unfruitful expenditure of Rs.31.50 lakh. COT stated (October 2003) that department was planning to initiate legal action against the vendor and a new software was being developed by National Informatic Centre, Delhi.

**3.4.7 Conclusions**

Technology developed for check posts was not fully utilised and the equipment were lying idle for want of operation and maintenance affecting the revenue collection. Smart Card Based Driving Licences were issued without creating environment for its usage. Instead of developing operational skill internally, department continued to depend on external agencies. Central Server of sufficient capacity with relevant database was not installed. Computers and peripherals were lying idle or under-utilised as MIS could not be developed. Thus, in short, the implementation of information technology in the important Government Department failed to deliver the intended benefits to the public despite huge expenditure.

<sup>α</sup> 10 per cent of the value of smart card planned for preparation during the delayed period (cost of Rs.289.95 card, 2.85 lakh cards)

<sup>β</sup> 1 per cent of value of smart card not issued out of quantum specified for every six months.

### **3.4.8 Recommendations**

- Government should monitor the working of the project closely and ensure optimum utilization of the infrastructure created in order to plug loopholes in collection of revenue.
- The equipment lying uninstalled and non operational should be put to use to ensure envisaged benefits.
- Smart card based Driving Licence and Registration of Vehicles already issued should be put to use by proper installation/creation of infrastructure.
- The connectivity of the check posts with the Central Monitoring Centre should be ensured and effective monitoring should be made to avoid pilferage of revenue at check posts.