

CHAPTER III

PERFORMANCE REVIEWS

This chapter presents four Performance Reviews (including one information technology review) and one long paragraph. The Performance Reviews include reviews on the Implementation of Acts and Rules relating to Consumer Protection, Integrated Audit of Animal Husbandry Department and Augmentation of Water Supply to Chennai city from Veeranam tank. The Information technology review is on Computerised Billing and Collection in the Chennai Metropolitan Water Supply and Sewerage Board. The long paragraph is on Sampoorna Grameen Rozgar Yojana.

CO-OPERATION, FOOD AND CONSUMER PROTECTION DEPARTMENT

3.1 Implementation of Acts and Rules relating to Consumer Protection

Highlights

➤ **Failure of the State Government to fill up vacancies in the posts of President of District Forums resulted in decline of cases disposed of by the District Forums from 5,723 in the year 2000 to 3,185 in 2004 and caused delay in redressal of grievances of consumers.**

(Paragraphs 3.1.16 and 3.1.17)

➤ **General awareness about the Consumer Protection Act among consumers was lacking as District Consumer Information Centres were not functioning in all the Districts of the State.**

(Paragraph 3.1.20)

➤ **Out of Government of India grant of Rs 2.70 crore received during 1995-97 for strengthening the infrastructure facilities for State Consumer Disputes Redressal Commission and 22 District Consumer Disputes Redressal Forums only Rs 1.05 crore were utilised and building has been constructed for only one District Forum.**

(Paragraph 3.1.10)

➤ **The State Government is yet to establish a Consumer Welfare Fund for the State as per Government of India instructions (August 2004), resulting in postponement of receipt of Government of India grant amounting to Rs 3.05 crore and its consequential impact on the implementation of the Act.**

(Paragraph 3.1.18)

3.1.1 Introduction

The Consumer Protection Act, 1986 (CP Act) was enacted by the Parliament in 1986 to provide simple, speedy and inexpensive redressal to consumers' grievances. The provisions of the CP Act give the consumer an additional remedy besides those that may be available under other existing laws. The CP Act is also intended to protect the consumers against marketing of goods and services injurious to life and property. The CP Act came in to effect from 1987¹ after the Government of India (GOI) had framed the Consumer Protection Rules, 1987. The State Government framed the Tamil Nadu Consumer Protection Rules in 1988. The CP Act, applicable to all goods and services, covers all sectors – whether private, public or cooperative – and provides for establishment of three-tier quasi-judicial consumer dispute redressal machinery at National, State and District levels called the Consumer Disputes Redressal Agencies (CDRAs). These Agencies are empowered to give relief of specific nature and award compensation to consumers. They are commonly known as Consumer Courts and at the district levels as district forums. The CP Act was amended in 2002 to discourage adjournments, making provision for the senior most member to preside over the CDRAs in case of absence/vacancy of the President, empowering courts to punish those not obeying orders of the courts in order to facilitate quicker disposal of complaints.

Besides these Acts and Rules, the Prevention of Food Adulteration (PFA) Act, 1954, which deals with prevention of adulteration of food stuff intended for human consumption during the stage of manufacture, storage and sale, is aimed at safeguarding the interest of the consumers.

3.1.2 Organisational set up

The Commissioner of Civil Supplies and Consumer Protection (CCS) is in charge of functions relating to consumer protection under the overall supervision of Principal Secretary, Co-operation, Food and Consumer Protection Department at Government level.

The State Government has established State Consumer Disputes Redressal Commission (State Commission) at Chennai and 30 District Consumer Disputes Redressal Forums (District Forums) in 29 districts (two forums in Chennai District) and Consumer Protection Councils at State/District levels. The pecuniary jurisdiction of District Forum is upto Rs 20 lakh; State Commission above Rs 20 lakh upto Rs 1 crore and National Commission above Rs 1 crore. The State Commission has appellate jurisdiction over the District Forums (DFs) and the National Commission over the State Commissions.

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

3.1.3 Audit objectives

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

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

3.1.4 Audit coverage

Test check of the records for the period 2000 to 2005 (calendar years) was conducted during June - August 2005 at Co-operation, Food and Consumer Protection Department, Office of the CCS, the State Commission, eight selected DFs² out of 30 DFs, five Non-Governmental Organisations³ (NGOs), State Consumer Protection Council and District Consumer Protection Councils in the eight selected districts. In addition, information regarding implementation of Prevention of Food Adulteration Act, 1954 was also collected from the Directorate of Public Health and Preventive Medicine.

ORG-MARG, an independent agency was also engaged for a nationwide survey and study on the subject and to assess the current levels of awareness of the CP Act among the consumers and to analyse their experience with

² (1) Chennai (North), (2) Chennai (South), (3) Coimbatore, (4) Erode, (5) Kancheepuram, (6) Thiruvallur, (7) Tirunelveli and (8) Villupuram.

³ (1) Oliyagam Trust, Madurai, (2) Mari Amman Service Society, Tiruchirappalli, (3) Society for Community Development Project, Salem, (4) Society for Emancipating Non-Social Education, Sivaganga and (5) Nugarvore Urimam Padukappu Kazhagam, Ramanathapuram.

respect to complaints made and their level of satisfaction. The engagement of services of ORG-MARG by Audit was intimated to State Government in July 2005. The survey conducted in seven⁴ districts during mid July to mid August 2005, covered 2,518 consumers spread across urban and rural areas, 433 complainants, nine manufacturers/service providers, two NGOs and three laboratories. The important findings of the survey are included in this review at appropriate places. Executive summary of the survey report is annexed (**Appendix XV**).

Inadequacies in creation of adjudication mechanism

3.1.5 Delay in establishment of State Commission and DFs

There was a delay of three years in establishment of State Commission and three years and eight months to seven years and eight months in establishment of DFs.

The State Commission was established in Tamil Nadu in July 1990. Though the CP Act, 1986 came into force in July 1987, 30 DFs in 29 districts (two forums established in Chennai District) were created belatedly between November 1993 and February 2001. The DF was yet to be established (July 2005) for Krishnagiri District, which was created in January 2003 by bifurcation of Dharmapuri District. The delay in establishment of the State Commission was three years while that in establishing DFs ranged from three years and eight months to seven years and eight months (**Appendix XVI**).

3.1.6 Posts of President not created for combined forums

Six DFs were not sanctioned with independent post of Presidents.

Though the State Government established DFs in all the districts (except in newly formed Krishnagiri District), only 24 posts of Presidents were sanctioned with the result six DFs⁵ were attached to nearby DFs (**Appendix XVI**). Thus, Presidents of these six DFs attend to the attached districts twice a week and to Headquarters DFs three days in a week. Though the State Commission had sent proposals for the creation of posts of President for these six DFs annually in its Annual Plan from 1999-2000 onwards, these were yet to be sanctioned by the Government (July 2005).

3.1.7 Training not imparted to Presidents and Members of Consumer Courts

The Department of Consumer Affairs of the GOI organises short training programmes for Presidents and Member of Consumer Courts. The training, supervised by National Commission, is intended to impart knowledge of legal requirements to them so that they can function effectively. The training was to be imparted only to such Presidents and Members who had at least three years of tenure left. Out of the 15 Presidents of DFs in position (July 2005) nine had not undergone the training. Of the existing 51 Members of DFs and State

⁴ Chennai, Erode, Kancheepuram, Kanniyakumari, Thanjavur, Thiruvarur and Tirunelveli.

⁵ (i) Dharmapuri (Salem); (ii) Pudukkottai (Dindigul); (iii) Ramanathapuram (Sivagangai); (iv) Thiruvannamalai (attached to Vellore); (v) Thoothukudi (Tirunelveli) and (vi) Villupuram (Kancheepuram).

Council, ten had not been trained. Of these six Presidents and nine Members were not eligible to undergo the training as their remaining tenure was less than three years.

3.1.8 Strengthening of redressal mechanism

Sitting of Circuit Bench of National Commission not held and three additional Benches of State Commission not created.

The National Consumer Disputes Redressal Commission, New Delhi notified (August 2004) holding of Circuit Benches⁶ at eight important cities including Chennai. However, no sitting of the National Commission had been held in Chennai, as the State Government could not find suitable accommodation (July 2005). The CP Act enables the State Commission to hold Circuit Benches at any place in a State. GOI suggested (May 2004) to the State Government to constitute three additional benches of State Commission for reducing the heavy pendency of cases. However, no additional Bench had been created as of July 2005.

How the consumers perceive Government's inaction to increase the capacity of the State Commission to deal with more cases came out in the survey conducted by ORG-MARG. It was reported that almost 72 *per cent* of the consumers responded either that the Government was not doing enough to safeguard the consumer rights or that they were not aware of such efforts by the Government.

Formulation of policy

3.1.9 State Action Plan

Action Plan to strengthen consumer protection functions proposed in October 2004 not yet approved by the State Government.

Consequent to the decision taken in the 50th National Development Council Meeting held on 21 December 2002, the Department of Consumer Affairs, GOI prepared a National Action Plan for Consumer Awareness and Redressal and Enforcement of CP Act, 1986. The State Governments were directed to prepare State Action Plan taking into account the components given in the National Action Plan.

The draft Action Plan aims at strengthening the consumer protection function in the Civil Supplies and Consumer Protection Department, greater involvement of District Administration in enforcing the CP Act, providing legal remedy to the consumers by creating a Consumer Protection wing to identify serious violations of the consumer rights by manufactures, traders or service providers and launching legal action under the CP Act and other related Acts. Preparation of detailed sector-wise guides by the Consumer Production Wing was also envisaged in the State Action Plan. The draft State Action Plan sent to the Government in October 2004 was yet to be approved (July 2005). In absence of approved plan the objectives that were set out to achieve remained unfulfilled.

⁶ Circuit Benches: Holding of sittings at different places in the country at different times.

Creation and strengthening of infrastructure for adjudication mechanisms

3.1.10 Part-utilisation of the GOI grant for creation of infrastructure

One-time grant of the GOI for creation of infrastructure facilities for the State Commission and the DFs was not fully utilised.

To strengthen the infrastructure facilities of consumer courts at the State and District levels, the GOI provided one-time financial assistance of Rs 2.70 crore to the State Government in four instalments between July 1995 and March 1997. The grant was released for construction of premises and provision of infrastructure to the State Commission (Rs 50 lakh) and to 22 DFs (at Rs 10 lakh each). The State Government sanctioned Rs 1.86 crore to the State Commission between March 1996 and April 2002. The State Commission utilised Rs 1.05 crore for provision of furniture, xerox machine, fax machine, computers, law books, construction of building, etc. and the unutilised grant amounting to Rs 1.65 crore was lying with the State Government for the past eight years. As of July 2005, only the building for Kancheepuram DF had been constructed at a cost of Rs 18.45 lakh.

The State Commission stated (December 2004) that the grant could not be utilised fully due to non-availability of land for construction of buildings for the State Commission and most of the DFs.

Sites for construction had been identified and preparation of plans and estimates were in progress for the DFs of Erode, Perambalur, Tiruchirappalli and Virudhunagar districts (August 2005).

As of June 2005, the State Commission and 22 DFs were functioning in rented buildings and paying an aggregate rent of Rs 2.72 lakh per month and seven DFs were accommodated in Government buildings such as District Collectorate and District court campuses (**Appendix XVI**). Absence of infrastructure in terms of proper building makes it more difficult for the consumers in general to become aware of the existence and location of the redressal agency. Findings of the survey by ORG-MARG revealed that only 23 per cent reported being aware of the existence of any redressal agency in their respective districts.

Enforcement mechanism

3.1.11 CP Act - Delay in disposal of cases

The age-wise analysis of cases pending disposal with the State Commission and DFs as on 31 March 2005 is tabulated below:

Period of pendency	State Commission		District Forums	
	Number of cases	Percentage	Number of cases	Percentage
Below 90 days	1,321	38	1,456	19
90 days to six months	909	27	1,234	16
Six months to one year	558	16	1,277	17
One to two years	279	8	1,654	22
Over two years	388	11	1,962	26
Total	3,455	100	7,583	100

Out of 3,969 cases pending as of March 2005 in the eight test checked districts, 387 cases (10 *per cent*) were pending for five to 10 years while 34 cases (One *per cent*) were pending for more than ten years. The survey also pointed out that the stakeholders complainants perceived that the redressal under the Act, though simple, was not very speedy.

The reasons for the delay in disposal of cases advanced by DFs as compiled by the State Commission were inadequacy of staff, vacancies in the posts of Presidents/Members and supporting staff, frequent adjournments sought by complainants and respondents, lack of infrastructure facilities, irregular attendance of Members, inadequate funds for purchase of service stamps and non-attendance of advocates and consumer associations representing the parties.

3.1.12 Execution of decrees

As per section 25(3) of the CP Act, where any amount is due from any person under an order made by a DF or the State Commission, the person entitled to the amount may make an application to the DF or the State Commission as the case may be and such DF or the State Commission, as the case may be, may issue a certificate for the said amount to the Collector of the District and the Collector shall proceed to recover the amount in the same manner as arrears of land revenue.

In the eight sample districts, 1,990 execution petitions were filed during 2000-05 of which 1,524 were disposed of leaving 466 pending as of March 2005.

As per findings of the ORG-MARG survey, compensation was received after an average period of 18 months. In cases where decrees had been passed but compensation not paid, the repayment was due on an average for 35 months.

3.1.13 Prevention of Food Adulteration Act, 1954

Mention was made in Paragraph 3.3 of the Report of the Comptroller and Auditor General of India – Civil – Tamil Nadu, for the year ended 31 March 2000 regarding some aspects relating to the implementation of PFA Act, 1954. Deficiencies such as non-achievement of targets for lifting of samples, inadequate sampling from manufacturers/wholesalers, non-testing of food articles for pesticide residue, Aflatoxin and heavy metals, under-utilisation of capacity of food analysis laboratories, shortage of Food Inspectors, etc., were commented upon. Information on the aspects covered in this review for the period 2002-05 was collected from the Director of Public Health and Preventive Medicine. This revealed that there was not much improvement in the implementation of PFA Act, 1954 as discussed in succeeding paragraphs.

The number of local bodies implementing the PFA Act, 1954 during 2005 was 481 as was during 1995-2000. The number of local bodies lifting samples increased from 110 during 1995-2000 to 135 during 2002-05. Further, as

against the projected requirement of 782 Food Inspectors (FI), the number available during 2005 was 166 as compared to 139 available during 1999-2000.

Number of samples lifted during 2002-05 against the target of 33,096 per annum and analysed by the laboratories is tabulated below:

Year	Samples lifted		Samples analysed	
	Number	Percentage of shortfall	Number	Percentage of shortfall
2002-03	3,485	89	3,332	90
2003-04	4,388	87	4,277	87
2004-05	3,837	88	3,967	88

The shortfall in lifting of samples ranged from 66 to 88 *per cent* during 1995-2000. Hence, there was reduction in lifting of samples during 2002-05. The shortfall in analysing samples during 2002-05 conformed to the shortfall of 88 *per cent* observed during 1999-2000 indicating no improvement in testing of samples.

The target for lifting of samples from manufacturers was one sample per month per FI. The number of FIs available was 100, 104, 142 and 166 during the years 2002, 2003, 2004 and 2005 respectively. Details of target and achievement in respect of samples to be lifted from manufacturers are indicated as under:

Year	Target	Number lifted	Percentage of shortfall
2002	1,200	57	95
2003	1,248	85	93
2004	1,704	82	95
2005 (up to July)	1,162	30	97

It would be seen that the shortfall percentage in lifting of samples during 2002-05 ranged between 93 and 97, thus there was no significant improvement as the shortfall during 1995-98 was also in the range of 98 to 99 *per cent*. Hence the sampling was ineffective.

Functioning of State/District Consumer Protection councils

3.1.14 Deficiencies in the functioning of State Consumer Protection Council

The CP Act provides for setting up of a Central Consumer Protection Council and Consumer Protection Councils in the States. The main object of constituting the councils is to promote and protect the rights of the consumers. The Council provides a platform to the non-official and official representative of various interests relating to consumers to discuss the problems of consumers, particularly relating to availability, quality and prices of goods and services and recommend measures to be taken to protect the interests of consumers by the concerned agencies/sections of the society.

During the period 2000-05 the State Council met only twice as against the requirement of ten times.

The State Government reconstituted the State Consumer Protection Council from time to time. The tenure of each council was fixed as 3 years and it was expected to meet at least twice in a year. The three year term of the last council expired on 21 May 2005 but neither its term had been extended nor a new council appointed. Audit noted that when the term of the previous council expired in November 2001 the new council was constituted in May 2002. It was noticed that during 2000-05 the council had met only on two occasions against stipulated regular interval of 10 meetings during this period.

3.1.15 District Consumer Protection Council

Under the CP Act, as amended in 2002, the State Government has to establish Consumer Protection Council for each District consisting of the District Collector and other official and non-official members. The objectives of the formation of District Council are to promote and protect, within the district, the rights of Consumers. Even before introduction of this Section, the State Government, in November 1993, ordered that District Consumer Protection Council (DCPC) should be constituted in each district with District Collector as Chairman and District Supply Officer (now re-designated as District Consumer Protection Officer) as Member Secretary. In terms of Government order (November 1993), the DCPC was to meet six times in a year and discuss all matters relating to consumer protection and suggest appropriate measures for improving the system.

A test check of records of seven test checked districts for the period January 2003 to June 2005 revealed that the percentage of the targeted meetings held by the councils varied between 44 and 63.

The councils were meant for promoting and protecting the right of consumers by dissemination of information and through consumer education. They were also supposed to ensure that the consumer interests would receive due consideration at appropriate forum.

However, the sources of awareness as brought out by the ORG-MARG survey were mainly electronic media (61 *per cent*) and print media (41 *per cent*). Nearly 70 *per cent* of the complainants resided in urban areas and with a sole exception, all were educated with an average monthly household income of Rs 9,706. This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle/upper middle strata of the community.

Provision of staff to State Commission/DFs

3.1.16 Vacancies in the posts of President and Members

Each Consumer Court comprises a President and two Members, one of whom is a woman. The number of occasions when the posts of President and Members in State Commission and DFs were vacant during the period commencing from their inception till July 2005 is tabulated below:

(Number of instances)

Sl. No.	Duration of vacancy	President	Male Member	Woman Member
State Commission				
1.	Upto three months	..	1	..
2.	Three months to six months	2 (maximum: five months)	2	1
3.	Six months to one year	..	1 (maximum: eight months)	1
4.	One year to two years	1 (maximum: 17 months)
District Forums				
1.	Upto three months	2	7	14
2.	Three months to six months	8	14	8
3.	Six months to one year	17	6	5
4.	One year to two years	7 (maximum: 1 ½ years)	12	5
5.	Two years and above	..	5 (maximum: five years and two months)	6 (maximum: five years)

The State Commission remained non-functional during the periods when the post of President was vacant. Similarly, due to absence of any interim arrangement, four district forums (Coimbatore, The Nilgiris, Thiruvannamalai and Vellore Districts) remained non-functional for periods ranging from seven to nine months when the post of President was vacant.

Nine posts of Presidents and eleven posts of members were kept vacant in DFs.

As of July 2005, nine out of 24 posts of President and 11 out of 60 posts of Member of DFs were vacant. The duration of these vacancies ranged from four months to 2 ½ years in respect of the posts of President and eight months to four years in case of Members.

Due to vacancies in the posts of President and Members of DFs, number of cases disposed of by them came down from 5,723 during 2000 (President man months vacant: 20) to 3,185 during 2004 (President man months vacant: 65).

3.1.17 Inadequacy of staff

The Tamil Nadu Consumer Protection Rules, 1988 prescribe that the Government of Tamil Nadu shall appoint necessary staff to assist the DFs and the State Commission in their work. No norms were prescribed for provision of staff to State Commission and DFs. The State Government has sanctioned 18 posts for State Commission and 138 posts for DFs (**Appendix XVI**). The Committee formed by the National Commission to assess the requirement of

As against 40 and 480 number of posts recommended by the Committee formed by the National Commission only 18 and 138 posts were sanctioned by the Government to the State Commission and DFs respectively.

minimum staff has recommended (January 2000) a minimum staff of 40 and 16 for State Commission and each of the DFs respectively.

The Government has not sanctioned (May 2005) any additional posts to the Consumer Courts though the State Commission requested (November 2001) for provision of at least ten⁷ additional posts.

The working of the Consumer Courts is further impaired due to vacancies in 23 posts out of the 156 posts sanctioned as of May 2005 (**Appendix XVI**).

Awareness and empowerment of consumer

3.1.18 Consumer Welfare Fund

A Consumer Welfare Fund (CWF) was established (November 1992) by GOI, to which the amounts due for refund under Central Excise and Salt Act, 1944, which could not be refunded to the manufacturers were credited.

The activities for generation of consumer awareness such as Jagriti Shivir Yojana, District Consumer Information Centres (DCIC), etc., were funded from CWF. In August 2004, GOI instructed the State Government to establish a CWF for the State. GOI also proposed to sanction seed money of Rs 50 lakh for the State CWF provided the State Government credited an equivalent amount to the Fund. Further, GOI also proposed (November 2004) to release (a) Rs 5 lakh for each DF which had received the one time grant during 1995 and Rs 15 lakh for each new DF and (b) Rs 25 lakh for State Commission. However, as the State Government has not yet established a CWF, resultantly the receipt of the above grants amounting to Rs 3.05 crore⁸ also could not be availed (August 2005).

3.1.19 Funding

The expenditure on staff of State Commission and the staff of DFs (Non-Plan) and Assistance for Consumer Education and Protection (Plan) during 2000-05 was as tabulated below.

(Rupees in lakh)

Year	Expenditure			
	Plan		Non-plan	
	Allocation	Actuals	Allocation	Actuals
2000-01	20.00	11.36	205.73	175.36
2001-02	6.04	4.44	214.21	216.49
2002-03	15.01	12.03	227.00	233.94
2003-04	13.50	18.29	248.02	246.98
2004-05	15.01	15.00	251.60	251.94
Total	69.56	61.12	1146.56	1124.71

Note: Rupees 0.01 lakh were provided in Supplementary estimates.

⁷ Personal Secretary to Honourable President: 1, Personal Assistant: 1, Section Officers: 3, Assistants: 3, Typist: 1 and Driver: 1.

⁸ Seed money: Rs 50 lakh; Rs 15 lakh for six new and two old DFs for which no building grant was received earlier, Rs 5 lakh for 22 old DFs and Rs 25 lakh for State Commission.

The expenditure on consumer education and protection was insignificant during 2000-05. This indicated that the action taken for generating consumer awareness by the State Government was grossly inadequate.

3.1.20 District Consumer Information Centre

The DCIC was to function as information, resource and guidance centre. DCICs were functioning only in three districts, viz., Ramanathapuram, Salem and Sivaganga. Though the Central Consumer Protection Council advised (November 2000) that Zilla Parishads (District Panchayats) should be actively involved in implementing the scheme, no District Panchayat established a DCIC (August 2005).

The ORG-MARG survey pointed out that 59 *per cent* of consumers at large were not aware of consumer rights and 73 *per cent* were unaware of the CP Act. Only 21 *per cent* of the rural population has heard about the CP Act.

3.1.21 Meeting with Voluntary Consumer Organisations

The State Government directed (1988) all the Secretaries to the Government/Heads of Departments and the Government Undertaking concerned with consumer affairs to organise not less than four meetings in a year with the leading voluntary consumer organisations to hear their grievances/suggestions/recommendations and take up appropriate follow-up action. In due course, the CCS began conducting such meetings on behalf of all the Government Departments and Undertakings. However, it was noticed that between February 2004 and May 2005 no such meetings were held.

3.1.22 Conclusions

Due to non-functioning of DCICs in all the districts of the State, the awareness about the CP Act was lacking among the consumers. Due to vacancies in the posts of Members of DFs and lack of availability of full-time Presidents, the consumers were deprived of the benefit of delivery of speedy redressal to their grievances at their doorsteps. Further, due to delay in preparation of implementation of State Action Plan the strengthening of consumer protection functions is being postponed. The CCS did not hold the quarterly meetings with the voluntary consumer organisations. The objective of providing buildings to DFs and the State Commission was not achieved and GOI grant of Rs 1.65 crore received for the purpose is lying unutilised with the State Government for the past eight years. The State Council and the District councils though formed did not meet as frequently as required, thereby defeating the very purpose of their formation. The failure to provide the minimum staff required and vacancies in posts already sanctioned has resulted in delay in delivery of redressal of grievances of consumers.

3.1.23 Recommendations

The State Government should take immediate steps

- to promote/generate consumer awareness by setting up District Consumer Information Centres in all the districts;

- to fill up the vacancies in the posts of President and Member of the Consumer Courts and also to sanction independent posts of president to the six Combined Forums for speedy redressal of grievances of consumers;
- to gear up the mechanism for conducting the prescribed number of meetings between the Commissioner of Civil Supplies and Consumer Protection and Voluntary Consumer Organisations for providing better protection of the interest of consumers;
- to establish the State Consumer Welfare Fund as advised by GOI, so that GOI grants for seed money and for strengthening of infrastructure of the Consumer courts could be received and utilised.

The above points were referred to the Government in September 2005; reply had not been received (December 2005).

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

3.2 Integrated Audit of Animal Husbandry Department

Highlights

➤ In the first three years of the Tenth Plan, expenditure was only 39 per cent of the proportionate outlay.

(Paragraph 3.2.7)

➤ Due to staff vacancies in Artificial Insemination Centres and steep fall in the number of bulls maintained for production of Frozen Semen Straws, the number of Artificial Inseminations declined from 32.35 lakh in 2000-01 to 29.23 lakh in 2004-05. The cost of Liquid Nitrogen produced departmentally was higher than that procured from market during 2002-05 and led to excess expenditure of Rs 51.07 lakh. Expenditure of Rs 43.80 lakh on Embryo Transfer Technology remained largely unfruitful and the objective of producing quality bulls in large numbers through this technology suffered.

(Paragraph 3.2.8)

➤ The service rendered by veterinary institutions was over stretched as the average number of cattle units served per institution was 9,939 against the norm of 5,000.

(Paragraph 3.2.9)

➤ Failure of Institute of Veterinary Preventive Medicine, Ranipet to adhere to “Good Manufacturing Practices”, a mandatory provision stipulated by Government of India led to denial of renewal of its licence for production of vaccines and pharmaceutical products.

(Paragraph 3.2.13)

3.2.1 Introduction

The Animal Husbandry Department (AHD) is charged with the twin responsibilities of providing veterinary health care and improving the production potential of livestock through scientific breeding practices. The Department seeks to achieve its objectives through various programmes and schemes with specific targets. The major activities of the Department include providing treatment to livestock and poultry through veterinary institutions, prevention and control of livestock diseases, providing Artificial Insemination (AI) services to cattle and buffaloes, making quality breeds of livestock and poultry available to farmers and dissemination of knowledge on modern livestock rearing practices to farmers.

According to the 17th Livestock and Poultry Census (provisional) conducted in 2004, the total livestock in the State was 249.42 lakh. The livestock population increased marginally by 3.38 *per cent* as compared to the previous census (1997). The estimated value of production of the livestock sector in the State during 1999-2003 increased by only 0.22 *per cent*, as against the increase of 22 *per cent* at National level during the same period. The details for the period 2003-05 were under compilation.

Per capita milk availability declined from 219 grams per day in 2001-02 to 206 grams per day during 2004-05 and was below the National average.

Milk production accounted for nearly 82 *per cent* of the total value of livestock production during 2003-04. The *per capita* availability of 219 grams/day of milk in the State during 2001-02 declined to 206 grams per day during 2004-05 which was below the National level (232 grams per day) and also marginally less than the *per capita* availability standard of 220 grams of milk per day recommended by the Indian Council for Medical Research. The decline in the availability of milk indicated that the Dairy sector in the State was unable to keep pace with the growth in human population. Government stated (December 2005) that the major factor for decline was the non-availability of green fodder due to severe drought in the State during 2002-04.

3.2.2 Organisational set up

The Secretary, Animal Husbandry and Fisheries Department heads AHD at the Government level. The Director of Veterinary Services (DVS) is in-charge of veterinary health care and livestock development and is assisted by 25 Regional Joint Directors (RJD) and 65 Assistant Directors (AD). Surgeons heading Poly Clinics (6), Clinician Centres (22), Veterinary Hospitals (139) and Animal Disease Intelligence Units (15) report to their jurisdictional RJDs. Assistant Surgeons heading Veterinary Dispensaries (1,156) and sub-centres (1,799) report to their jurisdictional ADs. Further, the Institute of Veterinary Preventive Medicine (IVPM), Ranipet and Central Referral Laboratory (CRL), Chennai are also functioning under DVS.

The Director of Animal Husbandry (DAH) administers the Livestock Farms (11), Cattle Breeding and Fodder Development (CBFD) units (20) and Semen Production Stations (4). Further, the Tamil Nadu Veterinary and Animal Sciences University (University), Chennai and the Tamil Nadu Livestock Development Agency (TNLDA), Chennai function directly under the Secretary, AH Department.

3.2.3 Audit objectives

The objectives of audit were mainly to assess:

- the implementation and impact of cattle and buffalo breeding programmes including Artificial Insemination programme,
- the extent of availability and adequacy of the veterinary health care facilities and effectiveness of programmes launched for prevention and control of diseases,

- the implementation of fodder development programmes and
- the adequacy of the available manpower in the Department.

3.2.4 Audit criteria and methodology

Norms and targets fixed by the Government of India (GOI) and the State Government for various activities of the Department, goals set in the Five Year Plans, etc., were taken as Audit criteria. The Audit objectives and Audit criteria were discussed (January 2005) with the DVS and the DAH before taking up the Audit review. On conclusion of the review, the audit findings were discussed with the DVS in August 2005 and his comments have been incorporated in the review at appropriate places.

3.2.5 Audit coverage

Major activities and programmes for: (a) Cattle and Buffalo breeding, (b) Veterinary Health Care, (c) Prevention and Control of Diseases, (d) operation of Livestock farms and (e) effectiveness of Human Resource Management carried out by the DVS and the DAH during 2002-05 were test checked from January 2005 to June 2005 at the Secretariat, Directorate of Veterinary Services, Directorate of Animal Husbandry, University, TNLDA, IVPM and CRL. Some selected field level offices and institutions¹ were also test checked.

Audit findings:

Financial management

3.2.6 Budgetary process

Budgetary provision and expenditure declined during 1999-2005.

Budgetary provision for Animal Husbandry grant declined from 0.62 *per cent* of total provision for all grants in 1999-2000 to 0.34 *per cent* in 2004-05. The expenditure of the AHD declined (18 *per cent*) from Rs 181.77 crore to Rs 148.93 crore during the same period, while the total expenditure of the State had increased by 56 *per cent* during this period.

Persistent under-utilisation of budget provisions during 2000-05.

Apart from such decline in provision, persistent under-utilisation of budget provisions persisted. The position in respect of the last five years was as under:

¹ RJDs (6), ADs (13), Animal Disease Intelligence Units (3), CBFD units (6), Poly - Clinics (4), Clinician Centres (4), Veterinary Hospitals (10), District Livestock Farms (4) and Veterinary Dispensaries (33).

(Rupees in crore)

Year	Final Modified Grant		Actual Expenditure		Savings		Surrender	
	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital
2000-01	176.58	-	152.61	-	23.97 (14)	-	14.41	-
2001-02	165.15	-	148.19	-	16.96 (10)	-	5.09	-
2002-03	167.65	-	146.22	-	21.43 (13)	-	12.52	-
2003-04	177.82	-	153.26	-	24.56 (14)	-	10.33	-
2004-05	166.75	0.17	148.79	0.14	17.96 (11)	0.03 (18)	12.61	-

(Figures in brackets indicate percentage to Final Modified Grant)

The actual surrendered amounts were much lower than the actual savings, indicating inaccurate estimation even at the end of the year.

Savings of more than 10 *per cent* of Budget Estimates (BE) were noticed in 41, 29, 33, 33 and 32 sub-heads during the five years (2000-05) respectively, indicating weaknesses in proper budgeting and expenditure control system. The aforesaid savings were largely due to provision made for vacant posts and release of lesser grants to the University than that was provided (except for 2003-04) in the budget. Government accepted (December 2005) that the savings had occurred mainly under salary and stated that action will be taken to improve accuracy in budgeting.

3.2.7 Performance under Tenth Plan

The main objectives for the Tenth Plan period are to increase the efficiency and coverage of Artificial Insemination so as to increase the production of livestock and its products, to tackle the feed and fodder shortage by developing wasteland to grazing land as well as preserving and improving the grazing land and to provide total protection to entire cattle population in the State against Foot and Mouth disease. However, the Department's failure in achieving these objectives are brought out in the succeeding paragraphs.

The outlay proposed for the Tenth Plan period for AHD is Rs 161.20 crore. The final provision made and the expenditure incurred during the first three years *viz.*, 2002-03 to 2004-05, revealed that only Rs 41.07 crore (25 *per cent* of Plan outlay) was provided against which expenditure of Rs 38.07 crore was incurred representing 39 *per cent* of the proportionate Plan outlay for the first three years (Rs 96.72 crore). Thus at this pace, the targeted outlay would not be achieved. Component-wise details of final provisions made and expenditure incurred during the first three years (2002-03 to 2004-05) of the Tenth Plan period are detailed in **Appendix XVII**.

Only 39 per cent of the proportionate Tenth Plan outlay was utilised during the first three years.

Programme Management

The Department implements various schemes to achieve its objectives of increasing the production potential and providing veterinary health care of livestock and poultry. The deficiency in implementation of some of the programmes is discussed below:

3.2.8 Cattle and Buffalo breeding programme

A vast majority of the cattle and buffaloes, native to the State are non-descript with poor milk yield and low lactation period. With a view to improve the productivity of the milch animals and to preserve the indigenous pure breeds, AHD adopts (a) cross breeding of non-descript cattle using exotic Jersey/Holstein Friesian (HF) bulls, (b) breeding cross-breed cows with cross bred bulls, (c) grading local buffaloes with Murrah bulls and (d) selective breeding of indigenous pure breeds in their native tracts.

As of March 2005, four Frozen Semen Production Stations (FSPS), 10 plants for producing Liquid Nitrogen (LN₂), 20 Frozen Semen Banks and 3,176 Artificial Insemination Centres in various veterinary institutions were functioning in the State. Besides, the Government established TNLDA in February 2002 to implement National Project for Cattle and Buffalo Breeding (NPCBB). Some of the major deficiencies noticed under this component are discussed below.

Inadequate Artificial Insemination coverage

Consequent to the decline in the number of AI centres, the number of AIs performed also decreased.

During Tenth Five Year Plan, the focus shifted from stationary AI centres to mobile AI centres and the AI coverage was targeted to be increased from 32 *per cent* at the end of Ninth Five Year Plan to 67 *per cent* at the end of the Tenth Plan *i.e.* an increase of seven *per cent* per annum. However, the number of AI centres declined from 3,572 in March 2002 to 3,176 in March 2005 due to shortage of Livestock Inspectors (LIs) who carry out the AI at the sub-centres. As a result, the number of AIs performed by the Department came down from 32.35 lakh in 2000-01 to 29.23 lakh in 2004-05. As the LIs held charge of more than one sub-centre, the number of days on which AI service available in sub-centres was found to be as low as three per week instead of it being available on daily basis. In six test checked Divisions², 35 (18 *per cent*) out of 190 sub-centres test checked did not function during 2004-05 due to non-availability of LIs and 59 sub-centres (31 *per cent*) were functioning but LIs in these were holding additional charge. Government stated (December 2005) that the vacant posts of LIs could not be filled up due to ban on recruitment.

During its 21 day reproductive cycle, a cow is in *oestrus* for about 18 hours and insemination has to be done during this period for a successful conception. As of July 2005, only 1,164 LIs were in position out of 3,090 sanctioned posts; placing LIs in-charge of more than one centre had reduced the availability of AI services with consequent fall in conception rate. According to a study sponsored by the Indian Council of Agricultural Research (ICAR) conducted by the scientists of the University during 2002-03, the annual economic loss sustained by the State due to lower conception rate with

² Coimbatore, Hosur, Madurai, Pollachi, Thanjavur and Thirumangalam.

reference to that achievable worked out to Rs 208.51 crore. Government stated (December 2005) that the field staff and personnel in FSPS were given training during 2004-05 to increase the conception rate and the same is being continued.

NPCBB envisaged establishment of 450 new mobile AI centres during 2003-05 and conversion of 250 stationary centres in 2003-04 into mobile centres. Though NPCBB guidelines envisaged that candidates with school final qualification be given training in performing AI and deployed as private inseminators, AHD decided to train only unemployed veterinary graduates. AHD could thus train 147 candidates only up to March 2005 as against the targeted 450 due to shortage of willing veterinary graduates to provide AI services at the doorstep of farmers. Consequently, against the target of 450 new mobile centres, only 147 were established (March 2005).

The actual achievement in AI coverage was only 36 per cent of the breedable cattle and buffalo at the end of 2003-04 as against the proportionate target of 46 per cent³ to be achieved by the end of first two years of Tenth plan.

Shortage of breeding bulls

The estimated annual requirement of Frozen Semen Straws (FSS) to achieve the proposed AI coverage set under NPCBB, the target fixed by the DVS and the actual production of FSS during 2002-05 from the four Semen Production Stations (SPS) was as follows.

(Number in lakh)

Year	Estimated annual requirement	Target and actual production of Frozen Semen Straws											Shortfall (per cent)
		Exotic Cattle Breeding Farm (ECBF), Eachenkottai		District Livestock Farm (DLF), Hosur		DLF, Abishekapatti		DLF, Ooty		Total			
		T	A	T	A	T	A	T	A	T	A		
2002-03	54.94	11.00	8.54	15.00	13.30	3.25	2.80	10.00	5.71	39.25	30.35	8.90 (23)	
2003-04	67.70	13.00	11.90	20.00	14.19	4.00	2.26	10.00	5.77	47.00	34.12	12.88 (27)	
2004-05	80.48	20.00	8.65	20.00	11.46	4.00	1.00	11.00	4.86	55.00	25.97	29.03 (53)	

T: Target; A: Actual Production

Decline in production of FSS due to the steep fall in the bulls maintained.

The sharp decline in production of FSS was mainly due to steep fall in the number of bulls maintained in the semen stations as explained below.

Withdrawal of huge number of bulls not conforming to MSP.

As on April 2004, 246 bulls were available in the State for semen collection. GOI introduced (May 2004) a 'Minimum Standard Protocol for breeding bulls' (MSP), prescribing the minimum acceptable standards for health and pedigree of breeding bulls. Accordingly, the DVS decided (December 2004) to implement the MSP in all the semen stations leading to withdrawal of 135 breeding bulls. Besides, 37 bulls were also withdrawn through quarterly auctions during April 2004 to December 2004. This caused closure of SPS at DLF, Abishekapatti from January 2005. The other three DLFs had also failed

³ $32 + (7 \times 2) = 46 \text{ per cent.}$

to maintain an adequate supply of breeding bulls even before the implementation of MSP in December 2004.

Against 172 bulls withdrawn from semen collection in the four stations till March 2005, only eight new bull calves were purchased out of 158 bulls targeted. The Chief Executive Officer (CEO), TNLDA attributed (February 2005) this shortfall to non-availability of quality bulls of desired grade in this State and in the farms of AHD of other States. The withdrawal of large number of bulls from semen collection consequent to the implementation of MSP is indicative of the fact that the Department did not have proper quality standards earlier. Further, none of the 11 cows maintained in the 'bull mother' farm in ECBF, Eachenkottai and none of the 45 Murrah breed she buffaloes maintained in DLF, Abhishekapatti (March 2005) had sufficient milk yield to qualify as 'bull mother' as stipulated⁴ in MSP.

Non-availability of Frozen Semen straws

In 26 test checked AI centres, the shortfall in production during 2004-05 led to the non-availability of FSS of Exotic breed bulls in four centres from 30 to 60 days, five centres from 61 to 90 days and 12 centres for more than 90 days. Similarly, the FSS of cross bred bulls was not available in three centres from 30 to 60 days, another three centres from 61 to 90 days and for more than 90 days in one centre. Audit noticed that during the period of non-availability of the FSS of cross bred bulls, straws of Exotic bulls were utilised for cross bred cows. Insemination of cross bred animals with exotic breed straws violated the Department's breeding policy, as it would result in higher exotic blood level in the offspring, which would lead to lower disease resistance. Similarly, during the period of non-availability of the FSS of exotic breed, the FSS of cross bred were used to inseminate non-descript animals resulting in lesser exotic blood level in the offspring. Government stated (December 2005) that the above usage was to avoid public outcry but presently FSSs are being procured from other sources to adhere to the breeding policy of Tamil Nadu.

Avoidable purchase of medium straws

All semen stations used French medium empty straws for the FSS production. As MSP stipulated (May 2004) that only French mini straws be used, the DVS decided (December 2004) to switch over to them from 1 January 2005. Despite the impending switchover, the DVS issued (December 2004) purchase order towards the supply of 39.10 lakh French medium straws at a cost of Rs 82.14 lakh, based on the requirements of the SPSs projected prior to the decision of the DVS to withdrawal of bulls that were not conforming to MSP. Due to withdrawal of large numbers of bulls there was decline in production of semen. However, in the meantime orders amounting to Rs 73.47 lakh were also placed specifically for use of French mini straws for FSS production. Considering the declining rate of semen and orders for French medium straws

Non-availability of required FSS at AI centres.

Non-utilisation of infrastructure costing Rs 73.47 lakh under mini straw scheme.

⁴ The first lactation and the best lactation milk yield for Jersey cows has to be not less than 3000 kg and 3750 kg respectively and for the buffaloes not to be less than 2400 kg and 3000 kg respectively.

that has been placed, the equipment bought for use of mini straws would continue to remain idle till March 2007 and 32.96 lakh empty French medium straws were already in stock as of March 2005. Government stated (December 2005) that the supplier of the medium straws had in principle agreed to exchange the available empty medium straws with mini straws. Further progress in this regard is awaited.

Avoidable additional expenditure in Liquid Nitrogen (LN₂) production

The Department resorted to purchase of LN₂ from private manufacturers as the quantity of LN₂ produced in the Departmental plants was insufficient. Out of the 10 LN₂ plants, only five were functional (May 2005). Three out of five working plants and all the five not working were of 'PLN' model installed between 1988 and 1996. The remaining two plants were of 'MNP' model and were installed during 1998. While the 'PLN' model required 12 hours for defrosting after every 150 hours of working, the 'MNP' model was capable of functioning without defrosting.

Avoidable additional expenditure due to production of LN₂ through old plants.

The performance of the two models operated by the Department and their cost of production *vis-à-vis* the cost of procurement from private manufacturers is given in **Appendix XVIII**. Thus, the continued dependence of the old 'PLN' model plants resulted in additional expenditure to the tune of Rs 51.07 lakh⁵ during 2002-05 when compared with the market price.

Government stated (December 2005) that steps would be taken to improve the operational efficiency of both 'PLN' and 'MNP' models.

Unfruitful expenditure on Embryo Transfer Technology Programme

Embryo Transfer Technology (ETT) enables production of more number of calves by flushing out the embryos from a donor cow having a high milk yield and planting them in other cows. ETT also enables quick multiplication of cattle with desired genetic characteristics.

Infrastructure costing Rs 43.80 lakh under Embryo Transfer Technology programme was rendered idle for over five years for want of critical equipment.

Under National Bull Production Scheme (NBPS), the State Government accorded (November 1995) sanction for the establishment of an ETT unit at DLF, Hosur. Despite having spent Rs 43.40 lakh (building: Rs 12 lakh, equipment: Rs 22 lakh and refrigerated van: Rs 9.40 lakh) during 1996-2000, not a single embryo could be produced and transferred for want of certain equipment required for harvesting the embryo and transfer of trained Veterinary Assistant Surgeons (VASs) working in other units for this purpose. However no tangible action was taken till June 2003. Based on the request (July 2003) of the Deputy Director (DD), DLF, Hosur to sanction funds for the functioning of the laboratory, the DAH, recommended (January 2004) that Rs 9.50 lakh be released by the TNLDA to the DD, DLF, Hosur under NPCBB. While releasing the funds, the TNLDA instructed that all the 38

⁵ 2002-03: Rs 17.31 lakh; 2003-04: Rs 23.11 lakh and 2004-05: Rs 10.65 lakh.

items of equipment and materials proposed should be purchased only from the suppliers having rate contract with Director General of Supplies and Disposal (DGS&D). However, even as of May 2005, the DD, DLF, Hosur purchased only one (cost: Rs 0.40 lakh) out of the 38 items of critical equipment necessary for the functioning of ETT laboratory as most of the equipment were reported to be not under DGS&D rate contract. The remaining amount of Rs 9.10 lakh was still lying in Savings Bank account, outside the Government account (August 2005).

In the meantime, the Sabarmati Ashram Gaushala (SAG) of the National Dairy Development Board (NDDB), Gujarat, successfully carried out (May and June 2004) ETT at DLF, Hosur by bringing their own critical equipment and flushed out 66 viable embryos from 15 donor cows. Thus it is evident that objective of producing quality bulls in large numbers through ETT was not achieved although an expenditure of Rs 43.80 lakh had been incurred on construction and equipment.

Government stated (December 2005) that since the required equipment were not available under DGS&D, TNLDA would have to tender for them which would take some more time.

Quality of bulls used in natural service

The quality of bulls used in natural service was not regulated by AHD.

To ensure utilisation of quality bulls for breeding, the Madras Livestock Improvement Act, 1940, stipulates that all bulls used for this purpose should be licensed by the AHD. Despite introduction of AI in the State for nearly 40 years, the practice of breeding through natural service by stud bulls continues. Even as of 2004, 64 *per cent* of the breedable bovines continued to be serviced by breeding bulls. As the Department does not provide bulls for natural service, the major portion of breeding depend on bulls reared by farmers for breeding purpose.

Though the Act enjoins that the breeding bulls should be inspected and certified, the AHD did not carry out its responsibilities under the Act and thereby failed to ensure the quality of major portion of calves born in the State. The DVS stated (July 2005) that the Department could not enforce the Act, due to limited staff but the bull keepers were advised to get their bulls tested. Government stated (December 2005) that the Department has been controlling the problems associated with natural service by castrating bulls with inadequate semen and also those suffering from sexually transmitted diseases.

Veterinary Health Care

3.2.9 Non-establishment of Veterinary Institutions

As of March 2005, Veterinary health care to the livestock, poultry and other animals (Pets and wild animals) were provided by the Department through a wide network of 1,323 institutions comprising six Poly Clinics (PCs), 22

Clinician Centres (CCs), 139 Veterinary Hospitals (VHs) and 1,156 Veterinary Dispensaries (VDs). Apart from these, 55 mobile units were also functioning.

The number of veterinary institutions was much lower than that recommended.

National Commission on Agriculture recommended a norm of one veterinary institution for 5,000 cattle units⁶ by the year 2000. However, only 1,323 veterinary institutions of different categories were functional as of March 2005 against normative requirement of 2,629, the shortfall being 50 per cent (**Appendix XIX**). While the number of veterinary institutions were more than the normative requirement in four districts (Kanniyakumari, Theni, The Nilgiris and Chennai) there was shortfall ranging between 19 and 69 per cent in the remaining 26 districts. As a result of inadequate number of institutions, the average number of livestock served per veterinary institution in Tamil Nadu was 9,939 as against the prescribed norm of 5,000 indicating that the services provided by them were over stretched.

Government stated (December 2005) that additional veterinary dispensaries would be established in a phased manner.

3.2.10 Absence of proper infrastructure in veterinary institutions

The position regarding the non-availability of prescribed infrastructural facilities in the test checked institutions was as follows:

Inadequate infrastructure in test checked institutions.

Type of Institution	Number test checked	No. of institutions which lacked the infrastructure (Per cent)
Clinician Centre	4	X-ray: 3 (75), Inpatient shed: 1 (25) and Operation Theatre (OT): 3 (75)
Veterinary hospital	10	OT: 10 (100)
Veterinary dispensary	33	Treatment shed: 11 (34), Water: 8 (24) and Power: 8 (24)

No expenditure was incurred on capital works during 2002-04 and only a meagre sum of Rs 14 lakh was incurred during 2004-05. Even while ordering upgradation of sub-centres to VDs during 2003-05, the Government directed not to incur any expenditure on infrastructure, equipment, medicine and staff for new VDs.

3.2.11 Performance of Poly Clinics

The PCs, being the largest veterinary institution, were provided with a sanctioned strength of up to six veterinarians as against just one veterinarian for a VD/VH/CC. All the six PCs in the State are located within Corporation area of the six major cities⁷. Even though better equipped and well manned, the annual output per veterinarian in three of the test checked PCs (Chennai, Coimbatore and Madurai) in respect of cases treated and AI done was much

⁶ One cattle unit = one cattle or one buffalo or ten sheep/goat or five pigs or 100 poultry birds.

⁷ Chennai, Coimbatore, Madurai, Salem, Tiruchirappalli and Tirunelveli.

lesser than the average of the work done in the test checked institutions of lower category (10 VHs and four CCs) as depicted below:

	Year	Average number of cases examined per annum per VH/CC in test checked districts	Number of cases examined per veterinarian per annum in Poly Clinic at		
			Chennai	Madurai	Coimbatore
Artificial Insemination	2002-03	2,118	24	306	220
	2003-04	2,422	17	306	183
	2004-05	2,064	9	311	123
Cases treated	2002-03	17,429	5,780	5,908	4,188
	2003-04	16,055	5,825	5,404	4,423
	2004-05	16,221	5,773	5,587	4,400

Test check also revealed that 61 *per cent* of the cases treated in the three PCs mentioned above were pet animals. Chennai, with a livestock and pet animal population equivalent to 7,453 cattle units was entitled to just one veterinary institution. Against this, the city had three major institutions⁸. In addition, about 200 veterinarians had established practicing veterinary in the city. While, pet animals, accounted for 71 *per cent* of the animals treated in PC at Chennai during 2002-05, the cattle and buffalo accounted for just 16 *per cent* of the total cases treated. Further, Chennai Municipal Corporation had employed two Veterinarians to control Zoonotic⁹ diseases. Moreover, a ban on maintenance of cattle within the limits of Chennai Corporation is in existence since 1936. Thus, the volume and nature of work of Poly Clinic, Chennai does not justify its sanctioned staff strength of 31 inclusive of five veterinarians. Government stated that the sanctioned staff strength at Chennai was necessary to provide (a) care to pets of the poor and (b) services of PC round the clock. Government, however, did not explain why PC at Chennai should function on 24-hour basis and why AHD should be burdened with care of pets.

Prevention and Control of Diseases

3.2.12 Lack of Quality Control in vaccination

Though the AHD administered more than 2.69 crore vaccinations annually during 2002-05 to livestock, no system existed to ensure the quality of vaccinations carried out. After an outbreak of Foot and Mouth Disease (FMD) during December 2002 in vaccinated animals belonging to the Department's Farm at ECBF, Eachenkottai, the Director, CRL, Chennai, collected 11 blood samples from vaccinated (October 2002) but unaffected animals for conducting titre test¹⁰. The test results established that the vaccination had not caused adequate immunity against FMD. However, no enquiries were conducted to find out the causes for failure of vaccination. The incidence of

Absence of a system for monitoring the quality control in vaccination.

⁸ PC, Saidapet, a VH at Royapuram (North Chennai) and another VH at Vepery maintained by the Madras Veterinary College.

⁹ Human diseases spread by diseased animals.

¹⁰ Test to assess the level of immunity.

outbreak in vaccinated animals among animals maintained in a farm of the Department indicated the poor effectiveness of vaccination administered and the need to ensure its quality through a properly designed system of monitoring. Such a system exists under the Centrally sponsored Foot and Mouth Disease Control Programme¹¹ (FMDCP), wherein random blood samples are collected from vaccinated animals prior to and after vaccination to assess the level of immunity developed in them. The Department should have developed a similar inbuilt monitoring system in the vaccination scheme in other districts also to ensure the quality of vaccination. The Director, CRL informed (July 2005) that sufficient number of test kits were not available with the Department to carry out such large scale monitoring. The DVS during discussion (August 2005) accepted the suggestion of audit to undertake random assessment of immunity levels of vaccinated animals.

3.2.13 Functioning of Institute of Veterinary Preventive Medicine

The Institute of Veterinary Preventive Medicine (IVPM), Ranipet, a unit of the AHD, produces and supplies vaccines, Diagnostics¹² and a few pharmaceutical products. The IVPM co-ordinates with the Indian Council for Agricultural Research in conducting investigations on FMD outbreaks and also assists the Department in disease-diagnosis.

The year-wise target fixed by the DVS for production of vaccines, actual quantity indented by field institutions and supplies made by IVPM in respect of the three major bacterial vaccines during 2002-05 was as follows:

(Doses in thousands)

Name of vaccine	2002-03			2003-04			2004-05		
	T	I	S	T	I	S	T	I	S
Black Quarter	2600	2744	1265 (46)	2600	2148	1104 (51)	3240	3218	2491 (77)
Haemorrhagic Septicaemia	2600	2313	1478 (64)	2600	1911	1456 (76)	3600	3387	3021 (89)
Enterotoxaemia	500	616	267 (43)	500	639	229 (36)	300	410	151 (37)

T: Target; I: Indent; S: Supply.

(Figures in bracket represent percentage of supply to that indented).

Insufficient manpower resulted in shortfall in achievement under vaccine production in IVPM, Ranipet.

The Director in-charge, IVPM attributed (June 2005) the shortfall in achievement to insufficient manpower and added that indents from outbreak reported areas were met in full. While 43 out of 80 posts (54 per cent) of technical officers and 156 (out of the 313) other categories of posts (50 per cent) were vacant (June 2005) for various periods, the post of the Director in-charge (equivalent to the Additional Director of Animal Husbandry) was

¹¹ Implemented within Tamil Nadu in Kanniyakumari District only.

¹² Antigens and Reagents.

vacant for 30 months and two posts of Senior Research Officers (equivalent to Joint Directors of Animal Husbandry) were vacant for 12 and 32 months respectively (May 2005).

Essential posts like Assistant Research Officers/Research Officers and Senior Research Officers/Director, for which the candidates were to possess M.V.Sc., and Ph.D., qualifications, could not be filled up as the Government discontinued sponsoring of staff for higher studies (1997). Thus, non-filling up of essential posts affected the normal functioning of IVPM and had contributed to shortfall in vaccine production. Government stated (December 2005) that one post of Senior Research Officer was filled up in August 2005 and action is being taken in filling up other required posts. Government also attributed (December 2005) the shortfall to non-approval/ delayed approval of tender for some raw materials required for producing vaccines by Tamil Nadu Medical Services Corporation.

Non-renewal of licence for production of (a) vaccines (b) diagnostics and pharmaceutical products since December 2000 and December 2002 respectively.

The licence for (a) vaccines and (b) diagnostics and pharmaceutical products of IVPM granted by the Director of Drugs Control of the State Government lapsed in December 2000 and December 2002 respectively. Further renewal was denied by the Director due to non-adherence to 'Good Manufacturing Practices' (GMP) prescribed (December 2001) by the GOI and made effective from 1 January 2004 for all licensed drug manufacturers. Despite absence of a licence, IVPM continued to manufacture and supply vaccines to the AHD. Government stated (December 2005) that the Central and State Drug Control authorities had conducted necessary inspections in August 2004 and May 2005 and orders for renewal of the existing licences are awaited. IVPM also submitted (December 2004) to the DVS a proposal for upgradation of its entire production facilities to GMP standards at a cost of Rs 37.75 crore by obtaining financial assistance from the National Bank for Agriculture and Rural Development (NABARD). The proposal was yet to be finalised (December 2005).

The Staff and Expenditure Reforms Commission (SERC), in its report (2002) observed that in view of the availability of new varieties of vaccines and medicines in the open market and in order to ensure its financial viability, IVPM should expand its activities to produce larger volumes for sale in other States as well as for export and it should consider production of only those items which were not readily available in open market. SERC recommended (2002) that a technical team with certain outside experts and Departmental officers be constituted to study the functioning of Institute and prepare a plan for maximising its productivity and profitability. The recommendations of SERC had not been acted upon and the importance of studying the functioning of the Institute gains importance as expenditure of Rs 37.75 crore had been proposed for upgradation of facilities for adherence to Good Manufacturing Practices as had been prescribed by the GOI.

3.2.14 Animal disease surveillance

Early forecasting of occurrence of different diseases is necessary to initiate timely action for control of diseases. Forecasting outbreaks is done through

collection and compilation of data relating to various diseases by 15 Animal Disease Intelligence Units (ADIUs). Though it was proposed to establish 15 new ADIUs at a cost of Rs 13.44 crore during Tenth Five Year Plan at the rate of three per annum, no ADIU was established till July 2005.

Vacancies in posts affected disease surveillance.

The ADs and VASs of ADIUs have to undertake extensive tour of their districts to visit veterinary institutions, examine animals and collect samples. Test check of two ADIUs (Thanjavur and Madurai) disclosed that as against the target of 240 days and 180 days of field visits by the ADs and the VASs respectively, the average number of days of visits by the ADs and the VASs of ADIU, Thanjavur was only 118 (49 *per cent*) and 152 (85 *per cent*) respectively. AD, ADIU, Thanjavur stated that the poor achievement in respect of field visits was mainly due to non-availability of vehicles. However, test check disclosed that all the seven posts of Laboratory Assistants and Laboratory Attenders in the two test checked ADIUs were vacant for periods ranging from four to seven years and ADIUs were not equipped to diagnose viral diseases which accounted for about 73 *per cent* of total out breaks. As a result samples were sent to the Central Referral Laboratory (CRL), Chennai for diagnosis. The AD, ADIU, Madurai informed (March 2005) that diagnostic kits for Blue Tongue/Pesta Des Petits Ruminants (PPR) and other viral diseases and 'ELISA kits & Readers' would be necessary to confirm their outbreaks. Even though screening of animals for Tuberculosis and Jhonin disease were one among the duties of ADIUs, no screening was done by the ADIUs during 2002-05 except ADIU, Madurai, who had screened nine samples in 2002-03. Government stated (December 2005) that due to fuel ceiling restriction the required number of field visits could not be undertaken and action is being initiated for getting extra allotment of fuel to ADIUs. Government further stated that due to ban on recruitment for entry level posts, Laboratory Assistants and Laboratory Attenders could not be recruited.

Fodder Development

The economic viability of livestock rearing depends on availability of feed and fodder, as feeding constitutes 65 to 70 *per cent* of the total cost of livestock farming. During 2004-05, the total requirement of dry fodder and green fodder for the bovine population of the State was 172.10 lakh MT and 645.38 lakh MT per annum respectively and the gap between the availability and normative requirement was 27 and 80 *per cent* respectively.

3.2.15 Defects in regulation of conversion of grazing land

The green fodder for livestock are mainly derived from grazing lands and pastures whose area in the State shrunk from 1.26 lakh hectare to 1.18 lakh hectare between 1990 and 2003. With a view to prevent this declining trend, the Government ordered (December 2001) that such lands should not be transferred to other Departments, without the approval of the AHD. In cases of necessity, the District Collector should identify an equivalent area of land for conversion as grazing land and the user Department should pay Rs 15,000 per hectare as cost for development of alternative grazing land, which has to be deposited by the user Department in the Local Fund Deposit account of the Panchayat Union concerned. Government, however, did not specify how and

by whom the amount collected would be utilised to develop grazing land. Even after the issue of the order, the area of grazing land continued to decline. Proper procedures had not been evolved pursuant to the directions of the Government for converting of grazing land as a result of which though grazing land has declined to the extent of 150 hectares during 2001-03, the revenue actually collected was Rs 30,375 from 2.025 hectares of grazing land upto August 2005.

3.2.16 Deficiency in implementation of fodder development works under drought relief

Mention was made in paragraph 3.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 - Civil regarding diversion of Rs 10 crore provided by the GOI for calamity relief measures for development of fodder. Test check of records of ECBF, Eachenkottai revealed the following.

Despite the emergency in tackling the drought, the relief works in ECBF which included land levelling, bore wells, pipelines, electrification, etc. were completed belatedly in April 2004 and then the fodder cultivation started. The harvesting of fodder began in June 2004, *i.e.*, almost 18 months after sanction of funds for drought relief. The production of fodder was only 2,268 MT during 2004-05 against the envisaged quantity of 7,620 MT per annum and sale/supply was only 342 MT including free supply of 140 MT to Tsunami affected areas of the State. The fodder produced could not be sold as there was no demand for fodder from farmers due to sufficient rainfall by then. Also sufficient manpower was not available for cultivating the entire land developed (155 acres), the area for subsequent cultivation was reduced to 86 acres. Due to lack of buyers, the green fodder produced in the Farm was converted into dry fodder and stored for feeding Farm animals. The efforts of the AHD to sell the fodder had not been successful, despite reduction in price as drought situation no longer exist. Accepting the fact of delay in production of green fodder, the Government stated (December 2005) that for want of manpower, the entire area could not be used for cultivation of fodder.

Human Resource Management

3.2.17 Large vacancies at higher level posts

The sanctioned strength, men in position and vacancies in the higher cadres (as of July 2005) was as follows:

Post	Sanctioned	Existing	Vacancy (Percentage)
Additional Director	3	2	1 (33)
Joint Director	25	2	23 (92)
Deputy Director	32	16	16 (50)
Assistant Director	121	101	20 (17)

Higher level posts are vacant despite availability of qualified persons.

The DVS informed (July 2005) audit that promotion panels in respect of all these cadres were pending with the Government. Thus large number of vacancies at higher levels, despite availability of sufficient number of qualified candidates, mainly due to procedural delays, had adverse impact on functioning of the Department.

As of July 2005, 22 out of 25 posts of RJDs were held by DDs (12) and ADs (10) on additional charge basis, affecting the hierarchy and resulting in such subordinate officers (DDs and ADs) functioning as their own controlling officers. This had made the system of supervision and control ineffective. Government stated (December 2005) that two posts of Additional Directors, 17 posts of RJDs and eight posts of DDs had since been filled up.

Insufficient Manpower in Veterinary Institutions

Against the total sanctioned strength of 1,606 veterinarians (VAS & Veterinary Surgeon (VS)), as of July 2005 in the State, 252 posts (16 per cent) were vacant. In the cadre of LIs and Animal Husbandry Assistants (AHAs), the vacancies were 62 per cent and 48 per cent respectively. The vacancy of VAS posts resulted in availability of inadequate veterinary services. Government stated (December 2005) that sanction for filling up 250 posts of VAS through recruitment had been issued.

Test check in three VDs¹³ of Thanjavur District, however, revealed that when a VAS proceeded on leave, a LI held that charge in 77 per cent of the occasions and a VAS from the nearby VD held charge only on 23 per cent of such occasions. Placing the LIs having only a school final certificate to hold charge of the VDs that require to be manned by qualified veterinarians reflected adversely on the quality of veterinary services rendered by the Department.

Government stated (December 2005) that instructions would be issued to the effect that when a VAS proceeds on leave, the charge would be looked after by a VAS and LI would only carry out duties with respect to first aid and AI services.

3.2.18 Monitoring

Test check revealed that the RJDs at Kancheepuram and Madurai could complete only 26 per cent and 17 per cent respectively of their prescribed inspections during 2002-04. This shortfall was attributed to vacancies at RJD level as already pointed out above.

Under NPCBB, the GOI released (March 2003) Rs 30 lakh for computerised monitoring of AI services. The provision covered computers and specialised software (Semen Station Monitoring System and AI Monitoring System) for capturing and analysing data on bull-wise semen collection, FSS production, storage, distribution and insemination. Though the TNLDA procured

Shortfall in inspection of subordinate offices by higher officials.

Computerised monitoring of AI services not commenced.

¹³ Melamathur, Poothathur and Sivarakkottai.

(September 2003), 25 computers and peripherals at a cost of Rs 15.41 lakh and supplied them to four SPSs, 20 FSBs and one for the TNLDA office, the software for use in FSBs for AI monitoring were not procured and supplied (July 2005) resulting in non-commencement of the envisaged monitoring. On being pointed out in audit, CEO, TNLDA stated (July 2005) that procurement of the software from the NDDB would be completed within two months.

Government stated (December 2005) that software would be installed shortly.

3.2.19 Conclusions

The overall objective of providing health care services suffered due to reduction in number of AI centres and consequently inadequate AI coverage, shortage of LIs, short supply of FSS and shortage of bulls conforming to MSP. New technology like Embryo Transfer Technology had not received much attention, resulting in the created infrastructure lying idle. Shortage of technical manpower had an impact on the production of three major vaccines in IVPM, Ranipet. Licence for production of vaccines, diagnostics and pharmaceutical products were not renewed in IVPM, Ranipet since December 2000 and December 2002 respectively due to non-adherence of Good Manufacturing Practices, a mandatory provision stipulated by the GOI.

3.2.20 Recommendations

- Government should accord greater importance to Embryo Transfer Technology to produce higher milk yielding cows.
- The staff strength at Poly Clinics in the six major cities may be reviewed and surplus veterinarians therein posted to man vacancies in rural veterinary institutions.
- To check the efficacy of vaccination, monitoring of vaccinated animals should be introduced.
- To implement the recommendations of SERC regarding improving the economics of production by IVPM, a study by a team of experts may be commissioned.
- Government should prescribe the procedure to be followed for depositing the mandatory Rs 15,000 per hectare whenever grazing land is put to alternative use.

**MUNICIPAL ADMINISTRATION AND WATER SUPPLY
DEPARTMENT**

**CHENNAI METROPOLITAN WATER SUPPLY AND
SEWERAGE BOARD**

**3.3 Computerised Billing and Collection in the Chennai
Metropolitan Water Supply and Sewerage Board**

Highlights

➤ **Incorrect adoption of ‘Usage of a Property’ (domestic, commercial, etc.) having a bearing on the calculation of Water/Sewerage Charges resulted in short raising of demand of Rs 1.30 crore.**

(Paragraph 3.3.6)

➤ **Failure to adopt the latest Annual Value of property, which is the basis for demanding Water/Sewerage Tax resulted in short assessment of Tax to the tune of Rs 4.97 crore.**

(Paragraphs 3.3.7 and 3.3.8)

➤ **Assigning of more than one Identification Code to the same assessee resulted in raising of demands against both codes and artificially boosting the accrued income of the Board.**

(Paragraph 3.3.9)

➤ **Incorrect posting of collections, non-withdrawal of credits posted for cheques that were subsequently dishonoured, etc., resulted in overstatement of the demands raised by an amount of Rs 3.78 crore.**

(Paragraph 3.3.10)

➤ **Lack of controls to ensure complete transfer of updated data from the Corporation relating to Annual Value of assessed properties resulted in under assessment.**

(Paragraphs 3.3.11 and 3.3.12)

➤ **Due to non-matching of assessee codes between the Corporation and the Board, upward revision of annual value of properties could not be entered into the Board’s computer system.**

(Paragraph 3.3.13)

➤ **The Board raised demands on eligible assesses not in the assessee list aggregating Rs 2.91 crore at the instance of audit.**

(Paragraph 3.3.14)

➤ **Based on the observations of audit, the Board has raised additional demands aggregating Rs 22.95 crore after adoption of correct usage and rectification of deficiency of non-adoption of the latest Annual Value.**

(Paragraph 3.3.19)

3.3.1 Introduction

Chennai Metropolitan Water Supply and Sewerage Board (Board) was established in 1978 for the maintenance of water supply and sewerage systems in the entire city of Chennai. The major source of revenue of the Board is Water and Sewerage Tax payable by all the owners of property in Chennai and Water/Sewerage Charges payable by only those having water/sewerage connection. As of September 2003, there were 5.17 lakh assesseees for Water/Sewerage Tax and 3.94 lakh consumers for Water/Sewerage Charges. For administrative purposes, the entire area under the control of the Board is divided into 10 Areas each headed by an Area Engineer. Water/Sewerage Tax is payable in respect of all properties in the city of Chennai at 3.5 *per cent* of its Annual Value (AV) for each half year as assessed by Corporation of Chennai (Corporation) and Water/Sewerage Charges are levied at varying rates depending on the usage.

3.3.2 Computerisation

Data processing in the Board is done in COBOL¹ on UNIX² operating system since 1990. Raising of annual demands that ranged between Rs 179 crore and Rs 192 crore during 1999-2004 and recording collections therefrom are done through the computer system. The related software had been developed in-house. The data assumes criticality as it involves a billing and collection function with no parallel manual system. Errors in data would invariably have financial implications. The Board's Central Office has the prerogative of making policy decisions on the Billing and Collection functions, deciding the rates and making changes in the computer programme accordingly. A new Oracle based system, adopting Relational Database Management System (RDBMS) technology is being implemented on a pilot basis and was under trial run in one out of 10 Areas (July 2005).

3.3.3 Audit coverage

A review on water tax collection system in the Board was conducted in October 1996 and focused mainly on the hardware and application software. The review was included in the Report of the Comptroller and Auditor General of India – Civil - Government of Tamil Nadu for the year ended 31 March 1997 (Para 6.15) and was discussed by the Committee on Public Undertakings (COPU) during October 2003. The recommendations of the COPU on this review were presented to the Assembly in July 2004³. On

¹ Common Business Oriented Language.

² Uniplexed Information Computing System (UNICS), later known as UNIX.

³ 148th Report of COPU (XII Assembly).

receipt of the Report on Action Taken by the Government (February 2005) on these recommendations, the COPU presented its Report⁴ thereon to the Assembly in April 2005. The issues dealt within these Reports, including recommendation of the COPU wherever relevant to the present review, have been mentioned in the appropriate paragraphs.

The current audit carried out during December 2003 and updated in January 2005 focuses on timeliness and accuracy of data obtained from the Corporation and Municipality of Ambattur and its implication on billing and collection. For this purpose, computer data relating to Areas 5 and 7 for the eighteen-month period from April 2002 to September 2003 were downloaded and examined. These two Areas were selected because Area 5 had the maximum number of assessees (21 *per cent*) and Area 7 had the maximum collection of Water/Sewerage Tax (18 *per cent*).

3.3.4 Results of Data Analysis

As there was no parallel manual system, the Board depended totally on its computer data for the raising of demands, collection and accountal thereof. For this purpose, it was essential that the Board should have data free of errors and inaccuracies. Despite this, scrutiny of the data files disclosed deficiencies in the database as brought out in the following paragraphs.

Lack of General Controls

3.3.5 Non-adoption of information available with civic bodies resulting in short assessment of tax/charges

The Corporation and the Municipality of Ambattur are the agencies from which the Board obtains the AV of each property. Information is also available with these agencies on the usage of the property like commercial, domestic, etc. Failure of the Board to take cognisance of the current AV and the usage details made available by these agencies resulted in short assessment of Rs 6.27 crore as brought out in paragraphs 3.3.6, 3.3.7 and 3.3.8 mentioned below. Even if the short collection is made good by raising fresh demands with retrospective effect, a minimum loss of interest of Rs 93.67 lakh would be irrecoverable.

3.3.6 Short levy of Water/Sewerage Charges at flat rate due to incorrect adoption of usage

The rate of charges for water supply to a property depends on type of usage like domestic, fully or partly commercial, industrial, etc. Incorrect adoption of usage thus has a direct financial implication. While the Corporation also had data on the usage a property was put to, the Board had its own mechanism to assess the usage independently.

⁴ 184th Report of COPU (XII Assembly).

A comparison of the usage adopted by the Corporation with that adopted by the Board for the selected Areas disclosed that in several instances, properties which the Corporation had classified as fully or partly commercial were classified as fully domestic by the Board and was levying water/sewerage charges accordingly. On being pointed out in audit, the Board conducted site inspection and revised their classification as reflected in the table below.

Classification previously adopted by the Board	Half yearly charges for the previous classification (Rupees)	Revised classification by the Board	Half yearly charges for the revised classification (Rupees)	Number of cases
Water Charges - Domestic (Unmetered)	300	Water Charges - Partly Commercial (Unmetered)	900	1,260
- do -	300	Water Charges - Commercial (water non-intensive)	1,200 upto 12/2002 2,400 from 01/2003	703
- do -	300	Water Charges - Commercial (water intensive)	2,400 upto 12/2002 3,900 from 01/2003	29
- do -	300	Sewerage charges - Partly commercial	450 upto 12/2002 900 from 01/2003	84

Failure of the Board to adopt the correct usage of the properties resulted in short assessment of water charges of Rs 1.30 crore.

The overall minimum short assessment in respect of such incorrect adoption of usage during the period October 1998 (the date of last general revision of property tax) to September 2003 made available to audit by the Board worked out to Rs 1.30 crore for the two selected Areas alone and the short assessment continued. The Board is, however, required to ascertain the exact dates from which the properties were under the incorrect usage and effect the recovery of the short assessment. If there was a system in place to conduct a site inspection whenever the usage of a property as per the Board differed with that of the Corporation, the errors as depicted above would not have occurred.

On being pointed out in audit, the Managing Director (MD) of the Board stated (June 2004) that revised demands for Water Charges aggregating Rs 5.47 crore had been raised in respect of 8,756 cases in all the 10 Areas. On further observation by the audit, the Board stated (January 2005) that demands were raised for the post October 1998 period only due to practical difficulties. As such the action taken by the Board remained incomplete.

Even if the Board recovers the entire amount demanded, the loss of interest due to such belated recovery will be approximately Rs 20.65 lakh calculated at an interest rate of six *per cent* per annum. This loss is irrecoverable.

3.3.7 Short levy of water tax due to non-adoption of the latest AV of the property

According to the Chennai Metropolitan Water Supply and Sewerage Act, 1978, the AV of all properties shall be assessed by the Corporation. Despite this, no system had been evolved with the Corporation to furnish to the Board all changes in AV, in any definite mode or periodicity. Conventionally, officials of the Board visit the Corporation at intervals of around two months

and obtain changes in AV that had occurred since their last visit. There is no system or control to ensure that all changes made in the AV of properties by the Corporation had been duly obtained and incorporated in the Board's computer system. The Corporation is free to change the AV in respect of any property from any date and the Board had no alternative but to obtain and adopt the updated AV from the Corporation and alter the Water Tax accordingly.

Failure of the Board to adopt the updated Annual Values as assessed by the Corporation, resulted in short assessment of Water Tax of Rs 13.90 crore.

A comparison of the AV adopted by the Board with that in the Corporation (as in March 2003) in respect of two selected Areas disclosed that in 8,991 cases, the AV adopted by the Board was less than the AV in the data at the Corporation, resulting in a short assessment of Water Tax to the tune of Rs 4.73 crore for the period October 1998 to September 2003. The aggregate percentage of short assessment was 39.77 and the number of short assessments falling in different ranges was as below:

Percentage of short assessment	Number of cases
Less than 20	1,668
Between 20 and less than 40	2,005
Between 40 and less than 60	2,493
Between 60 and less than 80	1,807
More than 80	1,018
Total	8,991

The Board stated (January 2005) that, at the instance of audit, additional demands have been raised in respect of 37,099 cases involving an amount of Rs 13.90 crore for all the 10 Areas. Even if the Board recovers the entire amount, the loss of interest due to belated recovery will be Rs 73.02 lakh calculated at the interest rate of six *per cent* per annum. This loss is irrecoverable.

3.3.8 Absence of system for updation of AVs resulting in short collection

Absence of a system to update the AV of the properties in Board's data to conform with that in Ambattur Municipality resulted in short assessment of water tax amounting to Rs 24.21 lakh.

The Board supplies water to a part (18,623 assesseees) of the Municipality of Ambattur adjoining the City and is dependent on the Municipality for the data of the AVs of the properties for the calculation of Water Tax. The AV of these assesseees incorporated in the Board's computer records at the time of their inclusion as assesseees had remained unchanged for more than two decades. There was no system for keeping track of changes in the AV at the Municipality and inclusion of new assesseees by them resulting in huge financial loss to the Board. Further, General Revision Survey (GRS) carried out by the Ambattur Municipality in October 1998, which brought about a minimum increase of 20 *per cent* on the prevailing AV had also not been taken into account in respect of 11,459 assesseees resulting in a minimum short assessment of Rs 24.21 lakh to the Board computed for the period between October 1998 and September 2003. The data at the Board should have been compared with that at the Municipality and the AVs updated to avoid further loss to the Board.

The MD of the Board stated (July 2004) that it had raised additional demands of Rs 66.81 lakh in respect of 7,983 assesseees of this Municipality. However, audit noted (January 2005) that the action was confined to the post October 1998 period and was thus incomplete. Demands should have been raised in respect of all properties that existed prior to October 1998.

Errors and inaccuracies in data

3.3.9 Assigning of more than one code to the same assessee and duplications in master file

The master file with one record per assessee contains assessee code, name, address, AV, etc. Examination of this file disclosed several instances where a customer had more than one record each having different codes with the same or different Annual values. All such duplications in the master file could not be detected through any programme or query.

As a result of such duplications it is observed that

- the master file depicted more number of assesseees than the actual;
- demands were raised in respect of the original and the duplicate codes in all such duplication cases;
- while assesseees continued to pay demands raised against one of these codes only, the demands raised against their duplicate codes continue to remain outstanding; and
- the duplication in codification had the effect of raising fictitious demands. This resulted in boosting the figures under the heads 'Income from Water and Sewerage Tax' and 'Sundry Debtors'.

Duplications had arisen in master file due to assignment of more than one code to the same assessee. Demands were raised against both the codes, overstating the accrued income of the Board.

In response to the audit observations, the MD of the Board stated (June 2004) that 1,113 duplicate codes in all the Areas had been eliminated.

3.3.10 Wrong/Excess credits posted to the accounts of assesseees and high percentage of error in data

The Demand files of the sample Areas 5 and 7 (as of October 2003) containing complete record of all demands and collections from the inception of the system disclosed excess collection of Rs 3.78 crore over the demands raised in respect of 20,538 assesseees. The reasons, as advanced by the Board, for such wrong/excess credits and action to be taken for their rectification is tabulated below.

Incorrect postings of collections resulted in excess posting of credits, affecting the integrity of data. Collections were overstated by Rs 3.78 crore.

Sl. No.	Reasons	Action to be taken
1.	Incorrect postings of amounts relating to other assessee ⁵ .	These amounts should be removed and posted to the accounts of correct assessee or placed under a suspense account.
2.	Non-withdrawal of credits posted from cheques that were later dishonoured.	Computer system should be modified to keep track of the actual collection of the cheques and treat the receipt as final only after its realisation as in the existing system the cheques that are received are accounted towards income that has accrued.
3.	Subsequent reduction in demand for some reasons in cases where original higher demand was paid in full.	The module for reduction of Annual Value and consequently the demands should be provided with facility for adjusting the excess credits against future demands.

As a result of such faulty/incorrect posting of collections, in case of 20,538 assessee (out of 1,40,915) in Areas 5 and 7, the collection exceeded the demand raised. The error level of 14.57 *per cent* adversely affected the integrity of the data. Government stated (July 2005) that (a) 3,059 cases involving Rs 1.15 crore had been rectified and remaining cases were being attended to and (b) software had been modified to guard against such errors.

3.3.11 Lack of General Controls and lacunae in transfer of data from the Corporation

As the assessee codes in the Corporation and that in the Board did not match with each other, smooth flow of essential information from the Corporation to the Board was not possible which had caused losses to the Board.

The quantum of Water/Sewerage Tax payable by each assessee per half year is 3.5 *per cent* of the AV of the property. The AV in turn is determined by the Corporation for its taxation purpose and adopted by the Board as well. The Board adopts the assessee code assigned by the Corporation as key for the purpose of such transfer of data.

Scrutiny of data in respect of the sample Areas disclosed (December 2003) that there were 6,037 codes in the Board that were not available in the Corporation and 302 codes *vice versa*. In respect of all these cases, the flow of data from the Corporation to the Board will not be possible and periodical changes in the AV made by the Corporation will not get reflected in the accounts of the Board resulting in under-assessment as detailed in the succeeding paragraphs.

3.3.12 Assignment of temporary codes in the Board

There were instances where water connection was given to a property even before the Corporation assessed it for tax and assigned a code to it. For collection and accounting of the Water Charges due, the consumer is assigned a temporary code by the Board incorporating a “T” as part of its 13-digit code. This temporary code was to be replaced with the permanent code when assigned by the Corporation.

⁵ This observation was also made in the earlier Audit review (Paragraph 6.15.4 (a) (iv)) and the COPU has sought further details in its 184th Report (XII Assembly).

In Area 5, it was observed (June 2004) in audit that in 86 cases temporary codes were in operation despite the AV of the property being available. It is apparent that the Corporation had already assigned their regular assessee codes which the Board failed to adopt. Consequently, the Board will not be able to adopt any further changes in their AV made by the Corporation which would result in under-assessment in future.

The MD of the Board stated (June 2004) that (a) in Area 5 regular codes had been allotted in respect of 44 cases, (b) action was being taken in the remaining cases and (c) instructions had been issued to other areas to take corrective action. Government reiterated the same reply in July 2005.

3.3.13 Differences in assessee codes between the Corporation and the Board

In the sample Areas, there were 6,037 codes of assessees in the Board, which were not available in the Corporation. The assessees existed in the Corporation's database also, but with different codes. In these circumstances, any upward revision of the AV relating to these assessees could not have reached the computerised accounts at the Board. However, the total actual under-assessment on this account could not be quantified.

The MD of the Board stated (June 2004) that (a) 2,428 incorrect cases were removed, (b) corrective action had been taken in respect of 1,769 cases and (c) 619 cases relating to vacant lands, educational institutions etc., suffered no General Revision of Survey (GRS). However, the Board was yet to act on the remaining 1,221 cases (July 2005) and similar exercise was due in respect of remaining eight Areas as well.

3.3.14 Eligible assessees not brought under Assessee List

Properties assessed by the Corporation not brought under the assessee list of the Board resulting in loss of Rs 10.90 lakh.

A comparison of the assessee list available in the Corporation with that in the Board disclosed that in respect of 302 cases in the two selected Areas, properties assessed for tax by the Corporation were not brought under the assessee list of the Board. Such cases of omission dated back to more than eight months resulting in under-assessment of Rs 10.90 lakh by the end of 30 September 2003 and loss on this account would also be recurring. Government reiterated (July 2005) the reply of the MD of the Board (June 2004) that 2,128 cases had been identified in all the Areas and included afresh in the accounts and demands aggregating Rs 2.91 crore raised pertaining to the period October 1998 to September 2004. It is seen that the inclusion of assessees was from periods after October 1998 only. A verification of the Corporation data disclosed that there were cases relating to periods prior to October 1998 also and hence the corrective action taken so far was incomplete.

3.3.15 Lack of General Controls leading to incorrect calculation of surcharge

The Board introduced (October 1997) surcharge on all belated payments at the annual rate of 24 *per cent* on Water Tax, 18 *per cent* on Water Charges for

domestic consumers and 24 *per cent* for both Tax and Charges for commercial consumers. The rate of surcharge was reduced to 15 *per cent* per annum for all class of assesseees with effect from April 2003. Surcharge was payable from the first day of a half year for payments relating to the previous half year and from the 31st day of serving a notice in respect of any increase in the amounts due. In case of increases in Tax due to the GRS carried out in October 1998, the related surcharge was applicable only from April 2002. During 2002-03, collection of surcharge on belated payments fetched an income of Rs 16.88 crore to the Board. Despite this, there were deficiencies in the calculation of surcharge and the mode of its collection as brought out in the succeeding paragraphs.

3.3.16 Excess calculation of Surcharge by computer system

The computer system calculated the surcharge in excess ignoring the effective due dates and time allowed for payment. This resulted in a manual recalculation in over 18,000 cases.

A provision was made in the software to calculate the surcharge payable by assesseees. However, in respect of all increases in tax with retrospective effect and tax increases due to general revision, etc., the computer system calculated the surcharge from the date of effect of the increase, ignoring the date of intimation of the increase and time allowed for payment. In all these cases, the surcharge had to be recalculated manually at the collection point. As a result, surcharge of Rs 1.52 crore was calculated manually and collected in 18,804 cases in the selected Areas alone wherein the surcharge calculated by the computer was Rs 3.91 crore. A test check revealed that in 44 cases, involving Rs 1,014, the manually calculated surcharge was incorrect. Similarly, in 884 cases the computer calculated surcharge was collected despite the same being in excess of the actual surcharge. Such manual recalculation of surcharge is undertaken only in the Area offices and not at other collection points, that too when expressly asked for by the assesseees. Thus inaccuracies and arbitrariness existed in the manual recalculation of surcharge. Though the collection of dues was done at the Head Office, the Area offices, the Depots and selected Bank branches, only the Area offices were authorised to recalculate the computer calculated surcharge. In all other collection points, surcharge as calculated by the computer system was collected, ignoring inaccuracies, if any, therein. Even in the Area offices the amount of surcharge incorrectly calculated by the computer was not corrected in all the cases that required correction.

Thus, on account of the computer system providing an inaccurate figure for surcharge, wide ranging practices were followed at the Area offices by the collecting officials, while correcting figures that had been calculated by the computer system. Government in its reply (July 2005) stated that in the new Oracle system under implementation, the surcharge would be calculated from the date of intimation of revision of tax demand and the other deficiencies pointed out will also be taken care of.

Excess Surcharge as calculated by the computer system was collected from a majority of the assesseees.

Revision of the AV is normally done by the Corporation with retrospective effect of a few months to a few years leading to a corresponding revision of Water Tax from the same earlier date. The computer programme, due to deficiency, instead of calculating the surcharge from the date on which intimation with regard to revision was made after allowing for grace period

admissible for making payment, incorrectly computed the revised water tax from the date from which the AV of the property had been retrospectively revised. Resultantly, due to incorrect computation the amount levied as surcharge was higher and in a test check audit noticed that this incorrect computation not only caused excess billing but this billed amount was also collected from the assesses. Though the Government stated (July 2005) that the excess amount collected from the assesses are refunded/adjusted against the future demand no specific details were furnished regarding the number of cases and the quantum of refunds/adjustment made, etc. Government had been addressed (August 2005) to furnish specific details regarding refunds/adjustments made.

3.3.17 Updation of software in calculation of surcharge

Though it was within the scope and feasibility of the computer system, it was not programmed to project the exact amount of surcharge due from an assessee. Several of the deficiencies discussed in paragraph 3.3.16 were directly attributable to this deficiency. The only additional data required for the purpose is the date of serving of notice on any increase in tax to the assessee. Calculation of surcharge by the computer system without vouching for its correctness was the root cause of several inconsistencies seen in the calculation and collection of surcharge by the Board. Government stated (July 2005) that the inconsistency has been taken care of in the new system planned to be fully implemented by March 2006.

3.3.18 Inadequacy of Internal Audit

Failure of Internal Audit to point out the short assessments resulted in loss of interest Rs 93.67 lakh.

Internal audit at the Board is not technically equipped to examine the totally computerised billing and collection functions. While policy decisions were made at the Central Office and computer programmes were developed by them, there was no effective mechanism to monitor the correctness of the implementation thereof at the Area offices. Due to this, short assessments and incorrect procedures followed at the Area offices remained undetected. The loss of interest of Rs 93.67 lakh could have been avoided if Internal Audit had pointed out such short collections in time.

Government stated (July 2005) that Internal Audit would take up the verification of records of taxes and charges in each Area and that the Board proposes to engage Chartered Accountants for this purpose.

3.3.19 Conclusions

Though the application software used by the Board was generally dependable, the database for computation was not free from deficiency. The programme was not designed properly so as to compute the correct amount of surcharge that has to be levied and therefore, for computation of surcharge manual calculation was also resorted to, which caused non-uniformity of procedures in computation. Despite the Board having depended entirely on the Corporation for the AV of properties, no definite and regular arrangement was in place for

obtaining the same from the Corporation at prescribed periodicity. As a direct consequence thereof, there was an under-assessment of Rs 4.73 crore towards Water/Sewerage Tax and Rs 1.30 crore towards Water Charges apart from loss of interest of Rs 93.67 lakh in respect of the two selected Areas alone. No system had been formulated for updation of data relating to assesseees in the Ambattur Municipality resulting in considerable recurring loss to the Board. The overall quantifiable short collection incurred by the Board in respect of the selected two Areas alone was Rs 6.27 crore. The Board accepted most of the audit findings and had also initiated corrective action in terms of rectification in the programme or in system of conversion of data. Further, while the audit findings were limited to only two areas out of ten in the city, the Board in raising of additional demands, pursuant to audit findings, also covered the balance areas. Thus, at the instance of audit, total additional demands in all the areas that has been raised aggregates to Rs 22.95 crore uptill July 2005.

3.3.20 Recommendations

- Validation controls should be introduced at the data input stage so as to guard against duplicate entries by validating earlier recorded assessee name/ door number/ street name, etc.
- Proper system for periodic updation and reconciliation of data should be evolved so as to ensure that property records as are maintained by the Corporation and those that are entered in the database of the Board match.
- A methodology should be evolved out whereby the Board should periodically countercheck the classification that has adopted by the Corporation.
- Provision should be made for the calculation of the exact amount of surcharge on belated payment of dues, taking into account all parameters.
- The Internal Audit System should be equipped to examine computer data and ensure the correctness of the assessments and collections periodically to avoid time-barred assessments and resultant loss of interest.

**MUNICIPAL ADMINISTRATION AND WATER SUPPLY
AND
PUBLIC WORKS DEPARTMENTS**

**CHENNAI METROPOLITAN WATER SUPPLY AND
SEWERAGE BOARD**

**3.4 Augmentation of Water Supply to Chennai city from
Veeranam tank**

Highlights

➤ Decision to avail subsequent instalments of a loan without considering the option of other available loans at lower rate of interest resulted in extra liability of Rs 82.43 crore.

(Paragraph 3.4.8)

➤ The Chennai Metropolitan Water Supply and Sewerage Board failed to avail the net benefit of Rs 1.68 crore on interest payments offered by Life Insurance Corporation of India for reducing the rate of interest on payment of compensation.

(Paragraph 3.4.9)

➤ Failure to provide shutters and inadequate height of the concrete structure in foreshore bund resulted in wastage of water; besides, the objective of storage of additional water was not achieved.

(Paragraphs 3.4.11 and 3.4.12)

➤ Delay in finalisation of tenders, commencement of work and failure to define the tender specifications without ambiguity resulted in extra expenditure of Rs 246.25 crore and Rs 11.59 crore respectively.

(Paragraphs 3.4.17 to 3.4.19)

➤ Failure of the Chennai Metropolitan Water Supply and Sewerage Board to consider the economical option without affecting the quality of work resulted in excess infrastructure and extra expenditure of Rs 7.95 crore.

(Paragraphs 3.4.20 to 3.4.23)

➤ Failure to ensure the fulfilment of contract conditions resulted in extra expenditure of Rs 20.43 crore.

(Paragraph 3.4.24)

➤ Unnecessary sinking of 15 borewells without requirement and pre-project expenditure on a new Project which was dropped resulted in extra expenditure of Rs 8.99 crore.

(Paragraphs 3.4.25 and 3.4.26)

3.4.1 Introduction

The Telugu Ganga Project taken up by the Government of Andhra Pradesh for supplying 12 thousand million cubic feet of water every year from the Krishna river to Chennai city scheduled to be completed by 1989, was nowhere close to completion even by 1992. In order to make good the shortfall, the Government of Tamil Nadu sanctioned (August 1993) New Veeranam Project (NVP) to supply 180 million litres per day (mld) of water to Chennai city from the Veeranam tank situated 227 km away at Cuddalore District without affecting the existing irrigation needs met by the tank.

The NVP envisaged increasing the capacity of the tank (source development works) and laying transmission line to transport the water to Chennai city. However, anticipating receipt of water from the Krishna river to Chennai city, the Government decided (August 1996) to drop the transmission component of the NVP but continued the source development works. As the expected supply of water from the Krishna river was not received even by 2001, the Government ordered (August 2001) revival of transmission component of NVP in the name of Chennai Water Supply Augmentation Project (CWSAP). The works, commenced in February 2003, were completed in September 2004 and water supply started from October 2004.

Government sanctioned two contingent schemes to supplement water from Veeranam tank in times of drought. The scheme to bring 60 mld of water from Neyveli aquifer to Chennai city was taken up in April 2003 and completed in April 2004. Another scheme called 'New Veeranam Extension Project' (NVEP), sanctioned in January 2005 to bring 150 mld sub-surface water from river Coleroon to Veeranam tank was dropped (April 2005) due to agitation by the affected farmers.

3.4.2 Implementing agencies

The source development works under NVP were executed by NVP divisions I and II of Public Works Department (PWD) supervised by one Superintending Engineer (SE-NVP) and monitored by the Chief Engineer, Chennai region (CE) under the administrative control of the Engineer-in-Chief (E-in-C).

The works under CWSAP and the two contingent schemes were implemented by the Chennai Metropolitan Water Supply and Sewerage Board (Board). The functions of the Board are guided and monitored by a Board of Directors consisting of officers functioning under the administrative control of Municipal Administration and Water Supply Department (MA&WS). The Managing Director (MD) is the executive head of the Board.

3.4.3 Audit objectives

The Performance Audit of (a) source development works under NVP, (b) CWSAP, (c) contingent scheme to tap water from Neyveli aquifer and (d) NVEP was conducted with a view to assess whether

➤ the Veeranam tank source is dependable to supply 180 mld of water to Chennai city

- the Board raised finance at cheaper cost to implement CWSAP
- appropriate procedure was adopted for awarding the work and the works were executed economically and efficiently and
- the infrastructure was created for optimum requirements using latest standards and specifications and at economical cost.

3.4.4 Audit criteria and methodology

The basic criteria used for assessment of the formulation and the execution of the projects for achieving their objectives in an economical and efficient manner was the extent of adherence to the norms and specifications laid down in the Manual of Central Public Health and Environmental Engineering Organisation (CPHEEO) and publications of Indian Standards (IS) applicable to water supply schemes. The specific criteria followed were whether

- project finances were managed economically and efficiently
- storage and transmission of water as contemplated was achieved
- Government guidelines and other specifications were adhered to in the works
- prescribed tender procedure was followed and tender specifications were clear and adhered to in execution and
- economy in expenditure was considered in selection of items and execution of works. The methodology adopted was preparation of Audit guidelines specifying Audit objectives, Audit criteria, nature and source of evidence and data analysis methods.

The methodology followed were (i) gathering data on storage position of Veeranam tank, (ii) studying the requirements of infrastructure and their utility, (iii) undertaking site inspection of various components of source development works of NVP and of CWSAP and (iv) holding discussions with officials of the Board and PWD. The replies received from the MD of the Board (November 2005), which were also endorsed by the Government have been considered.

Audit Findings:

3.4.5 Financial management

While the source development works under NVP, estimated at Rs 110.95 crore, were financed fully out of the State funds, the Board financed the Project cost of Rs 720 crore for CWSAP and the expenditure on the two contingent schemes from own funds, the Government grant and loans. While PWD spent Rs 74.48 crore (July 2005) under NVP, the Board spent Rs 719.97 crore on (a) CWSAP (Rs 694.57 crore), (b) Neyveli aquifer (Rs 24.61 crore) and (c) NVEP (Rs 0.79 crore) as of July 2005.

The audit of efficiency of financial management by the PWD and the Board revealed the following:

3.4.6 Inadequate Budget provision for improvement of Veeranam tank under NVP

The details of budget provisions and the actual expenditure incurred there against during 1998-2005 are given in **Appendix XX**. It could be seen that against the budget provision of Rs 66.85 crore, the Department spent Rs 72.34 crore during the period 1998-2005. The excess of Rs 5.49 crore was met by the Department by diverting the funds allotted to other works. Release of meagre funds every year retarded the progress of work and the essential work of raising the level of surplus weir to store additional water required for CWSAP was delayed due to want of funds. The lining of irrigation channels of (a) Veeranam tank and (b) Vadavar channel contemplated under NVP to save water through arrest of seepage had not been taken up (May 2005).

3.4.7 High cost borrowing for Chennai Water Supply Augmentation Project

The completion cost of Rs 694.57 crore of the Project was financed by the Government grant of Rs 239.36 crore, issue of bonds (Rs 42 crore), own funds (Rs 31.04 crore) and loans from (a) Life Insurance Corporation of India (LIC) (Rs 182.17 crore), (b) Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) (Rs 150 crore) and (c) Canara Bank (Rs 50 crore). The details of drawal of loans and the rates of interest are given below:

(Rupees in crore)

Source of finance	Details of sanction			Details of drawal		
	Amount	Month of sanction	Rate of interest (In per cent)	Instalment received	Month of drawal	Rate of interest (In per cent)
LIC	182.17	April 2002	11.5	20.00	August 2002	11.5
				85.00	October 2003	9.5*
				40.00	December 2003	9.5*
				37.17	March 2005	9.5*
TUFIDCO	100.00	November 2002	10	100.00	July 2003	6
				50.00	September 2003	8.5
Canara Bank	50.00	October 2002	11	50.00	January 2004	8.25
Total	382.17					

* 0.5 per cent rebate given for prompt repayment of instalment within the due date

The Board obtained loan from TUFIDCO for all their projects under 'Mega City Plan', which is financed by the Government of India (GOI) grant and carried lesser interest rate than that offered by any other financial institution. However, as the Government assured budgetary support for repayment of loan

raised from LIC, the Board filed an application for loan from LIC in February 2002. When the Government withdrew (April 2002) the offer of budgetary support, the Board obtained offers from other financial institutions (excluding TUFIDCO) which offered lesser rate of interest than that offered by LIC. Considering the longer repayment terms offered by LIC, the Board opted for loan from LIC. This decision proved injudicious for reasons given in the succeeding paragraphs.

Availing loan far in advance of requirement.

Though funds were not immediately required, the Board drew (August 2002) the first instalment of Rs 20 crore from LIC to avoid lapse of sanction and kept it in bank deposit from 1 August 2002 to 9 June 2003. As against the interest of Rs 1.01 crore earned on this amount, the Board paid Rs 1.94 crore as interest to LIC during this period thereby incurring an additional expenditure of Rs 93 lakh.

3.4.8 Failure in availment of low cost borrowing

Omission to consider low cost borrowing.

In April 2002, the Board approached TUFIDCO for a loan of Rs 50 crore under the 'Mega City Plan' for this Project and after further correspondence, TUFIDCO sanctioned Rs 100 crore (November 2002) at 10 *per cent* interest. When the Board again approached TUFIDCO to sanction an additional loan of Rs 200 crore, TUFIDCO agreed (December 2002) to provide funds for the Project at 10.5 *per cent* interest from their Infrastructure Scheme and assured to reduce the rate of interest as and when they are able to mobilise funds through public deposits. However, the Board, after much correspondence, obtained a loan (September 2003) of Rs 50 crore only from TUFIDCO under Infrastructure Scheme at 8.5 *per cent* interest and drew further instalments of loan from LIC at 9.5 *per cent* from October 2003. As the agreement with LIC did not stipulate the drawal of entire amount sanctioned, the Board should have availed the offer of TUFIDCO and stopped the drawal of loan from LIC especially since this did not attract any penalty. Injudicious drawal of further three instalments of loan aggregating Rs 162.17 crore from LIC between October 2003 and March 2005 resulted in an extra liability of Rs 82.43 crore on interest (0.5 *per cent* rebate for prompt repayment considered).

3.4.9 Rejection of offer for availment of loan at lower rate of interest

Offer of reduction of interest rejected on untenable grounds.

LIC reduced the interest rate from 11.5 *per cent* to 9.5 *per cent* only for the second and subsequent instalments. On the Board approaching (October 2003) LIC for reduction of the interest rate of 11.5 *per cent* on the Rs 20 crore drawn in August 2002, LIC agreed (February 2004) to reduce the rate to 9.5 *per cent* provided the Board paid it Rs 1.68 crore as compensation representing half of the Net Present Value (NPV) of the loss of interest that the LIC would suffer. Though there would have been a net saving of Rs 4.44 crore on interest (Rs 1.68 crore based on NPV), the Board rejected the offer (March 2004) on the ground that it may make premature repayment of entire loan in the context of falling rates of interest. The agreement with LIC,

however, precluded pre-closure of loan without the consent of LIC and no steps were taken by the Board to obtain permission from LIC to pay off its entire loan. On being pointed in audit (February 2005), the Board requested LIC (March 2005) to permit the prepayment of the loan of Rs 20 crore but the permission had not been received (August 2005). Thus, failure of the Board to obtain LIC's consent for prepayment of loan before rejecting their offer may result in loss of the benefit of savings on interest payable. Meanwhile, the Board paid additional interest of Rs 75 lakh¹ on Rs 20 crore during April 2004 to September 2005.

The MD stated (November 2005) that loan from LIC was preferred considering the longer period of loan repayment (22 years). Further, the first instalment of Rs 20 crore had to be kept in bank deposit due to delay in commencement of work. The MD also contended that favourable reply from LIC for foreclosure of loan was expected. This contention was not tenable as the Government, as early as in January 2002, instructed all its Statutory Boards that they should substitute high cost borrowing with low cost loans in view of the declining trend of interest rates in the financial market but the Board, in spite of the disadvantageous condition regarding pre-closure opted for high cost loan from LIC. Besides, the decision to pre-close LIC loan defeated the objective of raising long term loan.

Project implementation

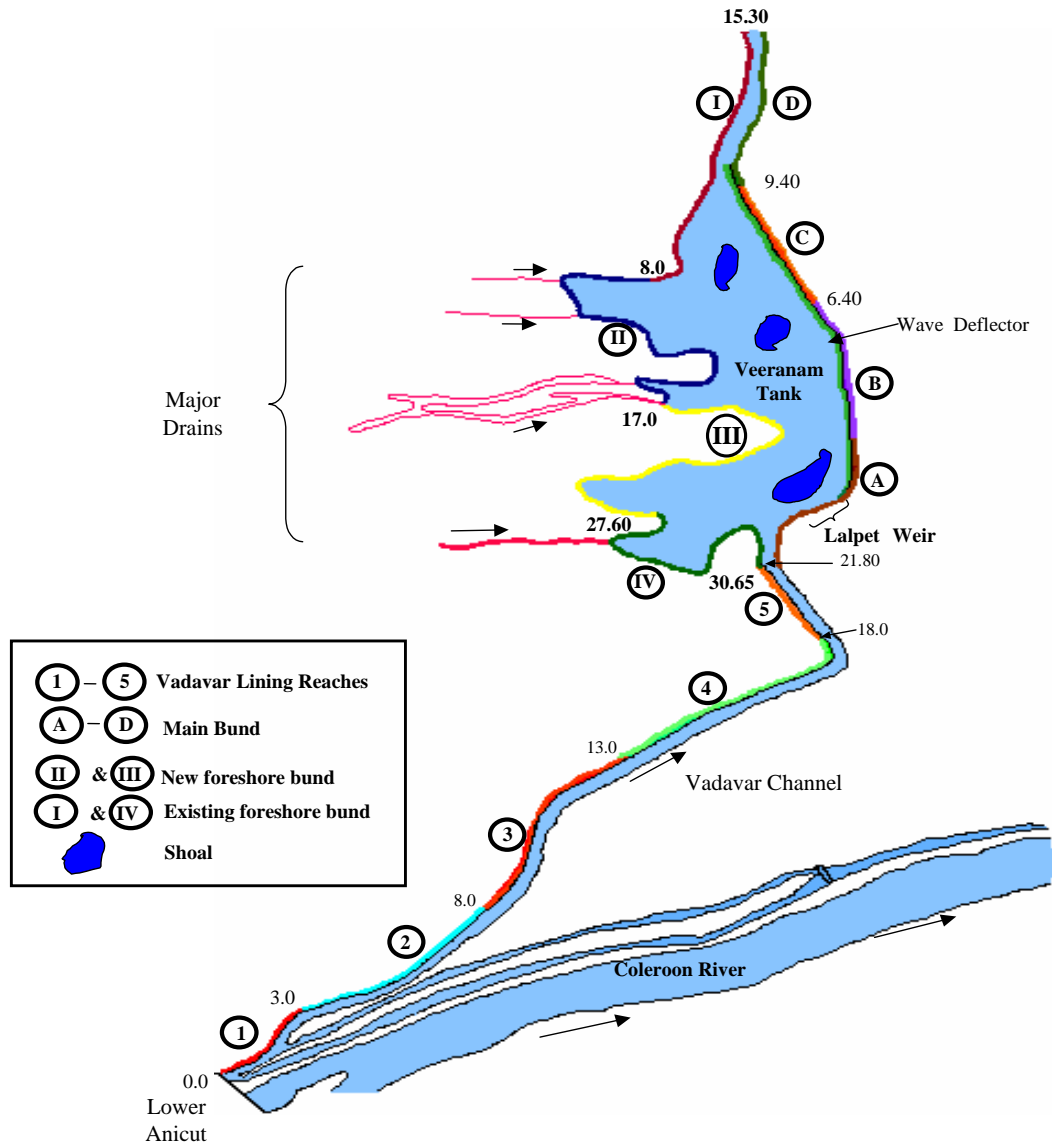
The deficiencies noticed in the implementation of NVP, CWSAP and the two contingent schemes are discussed in the succeeding paragraphs.

3.4.10 Implementation of NVP

Veeranam tank receives its supply from river Coleroon, a tributary of Cauvery river downstream Mettur Reservoir, at Lower Anicut through Vadavar channel, besides its own catchments. This Project contemplated (a) improvements to Vadavar channel and other irrigation channels, (b) increasing the storage capacity of Veeranam tank from 930 million cubic feet (mcft) to 1,465 mcft by raising height of the surplus weir in the main tank bund, (c) strengthening of the existing foreshore bund of 11.05 km in the water spread area, (d) forming of new foreshore bund for a length of 19.6 km and (e) provision of inlet arrangements in foreshore bund for allowing flood water from catchment area to the tank. With these storage development works, the Project proposed to draw 190 mld of water from the tank and after treatment supply 180 mld to Chennai city.

¹ Differential interest rate of 2.5 per cent inclusive of 0.5 per cent rebate was adopted.

Figure 1: Map of Veeranam tank and its sources



The Department carried out feasibility study during 1993-95 through a consultant and executed various items of work by preparing designs and estimates based on the feasibility study. The records relating to the execution of this Project disclosed the following deficiencies:

3.4.11 Improper water storage facility

The Project contemplated increasing the crest level of vent at the surplus weir at Lalpet from 46.75 feet to 48.75 feet to enable water to be stored to the revised Full Tank Level (FTL) of 47.5 feet. Though the work of fabrication and erection of shutters for increasing the FTL was entrusted to the PWD workshop in December 2002, the manufacture of shutters were completed only by December 2004 due to belated payment of advance to the workshop,

Delay in provision of shutters to surplus weir.

for want of funds. The delay in fabrication resulted in increase of the estimated cost of the work by Rs 83 lakh. Moreover, the shutters were yet to be installed (July 2005) due to storage of water in the tank.

Wastage of water due to non-provision of shutters.

As the Board proposed to supply water to Chennai by September 2004, the Department made temporary arrangements to increase the storage level by providing a skin plate on the existing shutter (Figure 2). During the flood in October/November 2004, the Department could store only 1,300 mcft of water against the envisaged capacity of 1,465 mcft and a quantity of 1,985 mcft of water was surplussed over the weir during 24 October 2004 to 3 November 2004 due to lower height. Thus, the inadequate provision of funds and failure to fix shutters of required height resulted in wastage of 165 mcft of water that could have been saved and used for providing drinking water supply to Chennai city for 24 days².

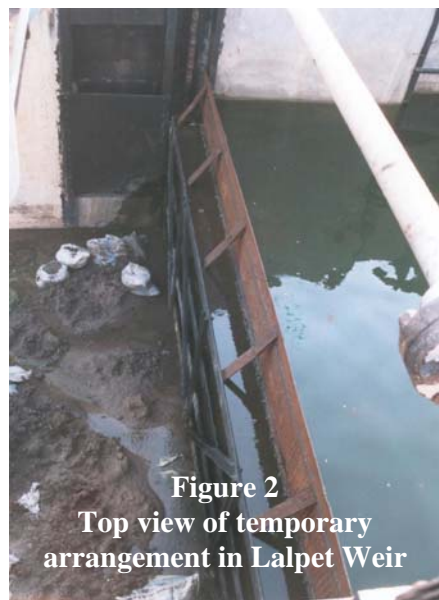


Figure 2
Top view of temporary arrangement in Lalpet Weir

The CE contended (June 2005) that the operational rules provide for maintenance of water level at one foot below the full water level during floods and the wastage of water was inevitable. This contention was not correct as the water level recordings indicated release of water through the weir even when the water reached the level of 45.5 feet indicating that the revised FTL after the provision of temporary measure was only 46.5 feet and not 47.5 feet. Thus, the installation of skin plate did not yield the expected increase in FTL.

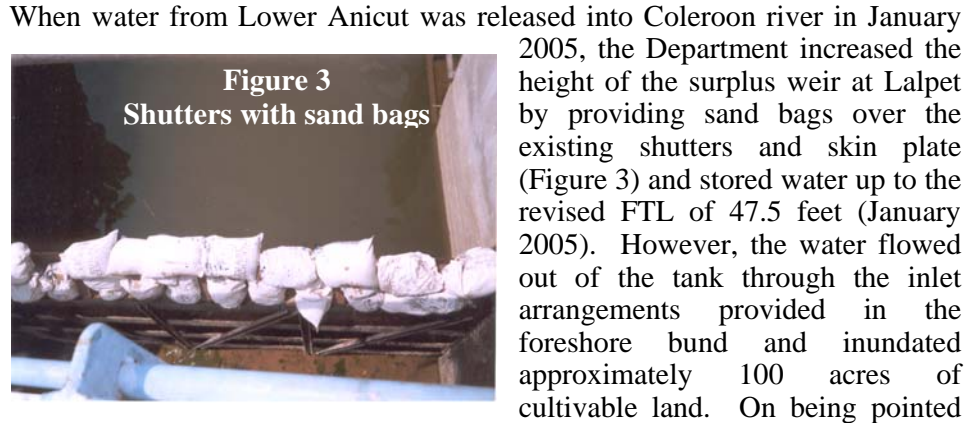
3.4.12 Objective of forming foreshore bund not achieved

The Project contemplated the formation of foreshore bund on the outer peripheries of water spread area to store the additional water required for Chennai city, without increasing the water spread area, thereby preventing submersion of patta lands. In order to allow water from catchment area to flow into the tank during monsoon and also to prevent the stored water in the tank from flowing out to the fields, inlet arrangements with shutters opening inside only were provided. The works were taken up in February 1998 and completed in February 2003.

²

1 cft	=	28.32 litres	
Drawal per day	=	190 mld	
Loss	=	$\frac{165 \times 10^6 \times 28.32}{190 \times 10^6}$	= 24 days.

Loss of water due to poor maintenance during project period.



When water from Lower Anicut was released into Coleroon river in January 2005, the Department increased the height of the surplus weir at Lalpet by providing sand bags over the existing shutters and skin plate (Figure 3) and stored water up to the revised FTL of 47.5 feet (January 2005). However, the water flowed out of the tank through the inlet arrangements provided in the foreshore bund and inundated approximately 100 acres of cultivable land. On being pointed



out in audit, the Department contended that 81 out of 90 shutters provided in the inlets were removed by the farmers to drain the water from their field into the tank. The Department also contended that the water that flowed out would eventually recede into the tank when the water level in the tank goes down. These contentions were not tenable as (i) the shutters were provided only to prevent water from the tank inundating the field, (ii) there was no rain in January 2005, the shutters must have been removed by farmers during preceding monsoon in October - November 2004 but the Department failed to take note of the missing shutters during maintenance and (iii) the water storage level was more than 45.5 feet (old FTL) till the end of February 2005 and the opening of inlets were shut using sand bags, the water from the fields cannot flow back into the tank (Figure 4).

Thus, the water, released from Lower Anicut mainly for irrigation and water supply to Chennai city,

was wasted by inaction of the Department. While the crest level of the foreshore bund was raised up to 48.5 feet allowing one foot above the revised FTL for free board and wave action, the crest level of the concrete structures in the foreshore bund constructed for providing inlets were kept at 47.5 feet. As no provision was made for free board and wave action at these locations, loss of water by spill over will not be prevented. Thus, the objective of storing water continuously at FTL during non-irrigation period would not be possible.

Unnecessary expenditure during execution

The Department failed to adopt correct specifications and economical design and spent Rs 2.50 crore unnecessarily as discussed in the succeeding paragraphs:

3.4.13 Excess use of cement

Use of excess cement for Plain Cement Concrete.

The agreement relating to lining the sides of Vadavar channel with Plain Cement Concrete provided for following IS specifications issued in 1963 and 1964 which resulted in cement content of 324 kg per cubic metre (cum) of Cement Concrete as against 250 kg provided in IS specifications of 1978. As the works were entrusted during July 1997 to March 1999, the failure to adopt IS specifications of 1978 resulted in an extra expenditure of Rs 48 lakh.

On being pointed out in audit, the CE stated (June 2005) that the works were executed by following Tamil Nadu Building Practice (TNBP). The reply was not tenable as TNBP which is only a compendium of IS specifications includes the 1978 revision. Further, in the lining works executed in the Tamil Nadu Water Resources Consolidation Project, during the same period by the Department, the mix, as per the latest IS specifications were followed.

3.4.14 Economical design not adopted

As against wave deflector of 0.65 m in Plain Cement Concrete recommended



by the Dam Safety Review Panel (DSRP) which examined the feasibility report of the consultant, the CE constructed wave deflector of 0.75 m in Reinforced Cement Concrete in the main bund resulting in avoidable extra expenditure of Rs 1.02 crore (Figure 5). The CE contended (June 2005) that the consultant had recommended provision of

solid parapet wall with or without wave deflector and the Department opted for construction of wave deflector. The CE's reply was not tenable as audit has not questioned the necessity of wave deflector but only the use of costlier Reinforced Cement Concrete.

3.4.15 Unnecessary provision of extra width for jeep track and vents

Higher width bund formed without requirement.

Though the existing foreshore bund had a width of four metre, the CE formed new foreshore bund in continuation of existing ones with nine metre width. This had increased the cost of construction from Rs 1.23 crore to Rs 2.23 crore. The CE contended (June 2005) that nine metre width was adopted to accommodate maximum quantity of earth from shoal³ inside the tank, which was otherwise to be removed. This contention was not tenable as the new foreshore bund is located one to five km from the shoal whereas earth could have been dumped in the open space available in the PWD campus at Lalpet which was within one km from the shoal. Incidentally, the Department had removed another part of the shoal during April 2003 to March 2004 and dumped the earth within the PWD campus. The unnecessary transportation of

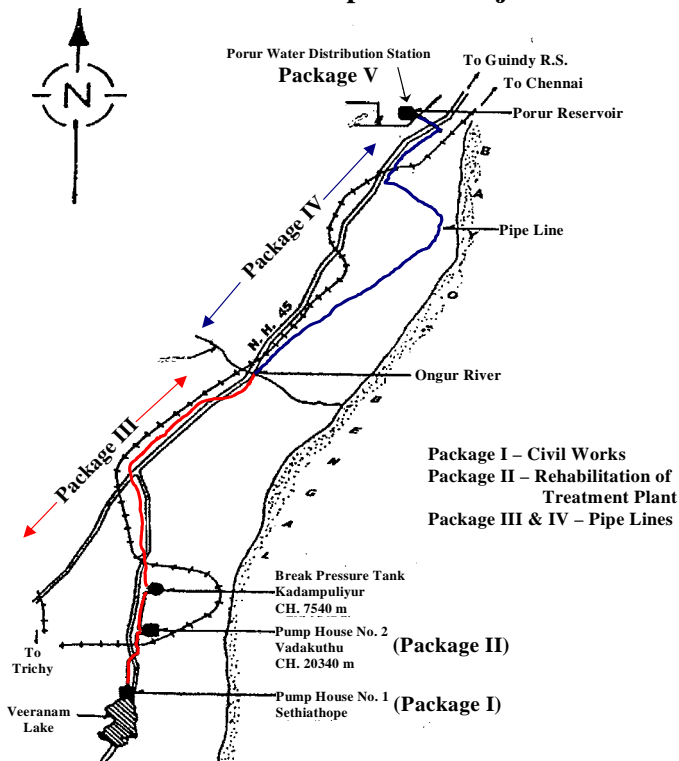
³ An earthen mound.

earth for a longer lead and compaction for forming a bund with excess five metre width led to an avoidable expenditure of Rs one crore.

3.4.16 Implementation of CWSAP

The Tamil Nadu Water Supply and Drainage Board (TWAD) which was entrusted with the implementation of the transmission component of NVP engaged (February 1995) Shah Technical Consultants to review the feasibility report prepared by another consultant and carry out the design and engineering for transmission, treatment and pumping. The design and bid documents furnished by the consultant in April 1996 were not scrutinised by TWAD as transmission component of NVP was abandoned by the Government soon thereafter (August 1996). When the Government ordered revival of the Project in the name of CWSAP in August 2001, the Board, the new implementing agency, updated the estimates by obtaining rates from contractors and invited tenders splitting the work into five packages⁴. The management and supervision of the Project was entrusted to MECON Limited. A sketch map (Figure 6) showing the location and activities under the Project is depicted below:

Figure 6
Sketch map of the Project



⁴ Construction of raw water intake pump house (Package I), rehabilitation of existing water treatment plant at Vadakuthu (Package II), transmission of raw water to treatment plant and clear water to water distribution station at Porur for a length of 227 km (Packages III and IV) and construction of water distribution station at Porur (Package V).

The records relating to the execution of the Project disclosed delay in evaluation and finalisation of tenders resulting in extra expenditure of Rs 292.57 crore as discussed below:

3.4.17 Delay in award and commencement of work

The schedule for completion of the CWSAP given by the Monitoring and Empowered Committee of the Government and the actual time taken are given below:

	Scheduled date for Packages I to IV	Actual date				Scheduled date for Package V	Actual date for Package V
		Package I	Package II	Package III	Package IV		
Publication of NIT [@]	19.12.01	19.12.01	19.12.01	19.12.01	19.12.01	06.02.02	--
Receipt of tender	31.01.02	31.01.02	31.01.02	31.01.02	31.01.02	25.03.02	04.04.02
Completion of evaluation of tender							
(a) Technical	06.03.02	27.03.02	27.03.02	26.07.02	26.07.02 28.10.02*	19.04.02	23.01.03**
(b) Financial	06.03.02	20.07.02	20.07.02	28.10.02	26.07.02 28.10.02	19.04.02	10.02.03
Award of contract	15.03.02	26.07.02	26.07.02	31.10.02	26.07.02 31.10.02*	30.04.02	20.02.03
Date of completion	15.09.03		September 2004			15.09.03	September 2004

@ NIT: Notice Inviting Tender

* Delay was due to withdrawal of offer by the lowest tenderer; ** Alternative design.

Non-adherence of prescribed time schedule resulted in extra expenditure of Rs 163.82 crore.

The delay of seven to 11 months in award of contract of Packages III to V were mainly due to belated appointment of Tender Evaluation Committee, abnormal time taken to evaluate the tenders and alternative design and negotiation conducted with the tenderers. Even after awarding the contracts during July 2002 to October 2002, Packages I to IV were taken up for execution only in February 2003 and payments were made from March 2003. The delay in commencement of work postponed the completion of the Project equivalently. The delays were avoidable. Had the works commenced in April 2002 as scheduled, the Project would have been completed by December 2003⁵ and water would have been supplied to Chennai from Veeranam tank from January 2004. Due to delay in completion, the Board spent Rs 163.82 crore on transporting water through tanker/lorries from distant sources during May to October 2004.

When pointed out in audit, the MD contended (November 2005) that the contracts were finalised within the validity period of 180 days specified in the tenders but did not furnish any specific reasons for not adhering to the time schedule given by the Monitoring and Empowered Committee. The MD also contended that the Veeranam tank started receiving water only during June 2004 and as considerable flow was received only during October 2004, the expenditure incurred on transportation of water through tanker/lorries were inevitable. This contention was not tenable as the storage position of Veeranam tank revealed availability of water during January 2004 and from May 2004 to October 2004. Besides, the operating rules framed in October 1994 provide for special drawal of water from Mettur dam for

⁵ Three months allowed to meet any unavoidable delay and trial runs.

Chennai Water Supply and such drawal was resorted to during January 2005. Even if the special drawal was not resorted to, water from Veeranam tank could have been supplied from May 2004 thereby saving Rs 163.82 crore on transportation of water from distant sources.

3.4.18 Delay in finalisation of tender

Lowest bidder withdrew due to delay in finalisation of tender.

Though the tenders for Package IV, adopting two cover system (qualification criteria and price bid) with a validity period of 180 days, were called for as scheduled and the Tender Committee was constituted in January 2002, the Board constituted the Tender Bid Evaluation Committee only on 19 February 2002. The Tender Committee considered the evaluation report and short listed (April 2002) three technical bids. The Board of Directors, however, resolved to open the price bid of these bidders only in June 2002. The price bids were evaluated by the Tender Committee and the Board of Directors accepted the recommendations in July 2002. When work orders were issued on 26 July 2002, after 177 days from the date of receipt of tenders, the successful bidder who had quoted Rs 225.16 crore demanded (August 2002) an additional amount of Rs 152 crore in view of steep increase in cost of steel. The Board cancelled (September 2002) the work order with forfeiture of earnest money deposit (EMD) of Rs 1.52 crore. Thereafter, it negotiated with the other two tenderers and approved (October 2002) the negotiated bid of third lowest bidder for Rs 335.69 crore. The work order was issued on 31 October 2002.

It was seen that the bid documents did not provide for escalation clause and the steel prices increased substantially from July 2002 onwards. Had the Board finalised the contract by 15 March 2002 as scheduled, the successful tenderer would not have had any reason to withdraw his bid. Thus, the delay in evaluating the bids resulted in avoidable extra expenditure of Rs 110.53 crore. Considering the Central Excise benefit that accrued due to exemption granted by the GOI⁶ (Rs 26.58 crore) in September 2002, and the EMD forfeited (Rs 1.52 crore), the net extra expenditure was Rs 82.43 crore.

The MD contended (November 2005) that the tender validity was fixed at 180 days considering the estimated value of work and nature of work and the tender was finalised within the validity period. This contention was not tenable as the Monitoring and Empowered Committee allowed only 43 days for finalising the tender in view of urgency of work and there were avoidable delays in appointment of Bid Evaluation Committee and taking decision on Tender Committee recommendations by the Board of Directors.

Ambiguity in tender specifications

The designs and estimates furnished by Shah Technical Consultants in April 1996 were not scrutinised by TWAD as well as the Board. Consequently, the agreement entered by the Board with contractors for Packages III and IV contained some ambiguities resulting in extra expenditure of Rs 11.59 crore as discussed below:

⁶ Discussed separately in Paragraph 3.4.24.

3.4.19 Expenditure on filling of the trenches

Rate for imported earth was paid even for excavated earth.

Though the estimate rates for three items viz., (a) providing bedding, (b) side filling and (c) back filling trenches contemplated usage of excavated earth only (Rs 20 to Rs 40 per cum for each item), the description for these three items were given as using both excavated and imported earth. This was contrary to practice in PWD and TWAD where separate rates are obtained in respect of excavated and imported earth. Consequently, the contractors quoted Rs 45 to Rs 272.47 per cum for each of these items which included the cost of imported earth. The entire works were actually executed with excavated earth. The rate for refilling the trenches with excavated soil and watering and consolidation as per 2001-02 PWD schedule of rates was much less than the market rate obtained for preparation of estimate. Even after taking into consideration the tender excesses over the estimated rates, the extra payment made to the contractors worked out to Rs 11.59 crore as detailed below:

	Package III		Package IV			
	Bedding	Back filling	Bedding	Side filling ⁷		Back filling
				Type I	Type II	
Rate per cum quoted by the contractor (in Rupees)	272.47	106.70	100.00	80.00	120.00	45.00
Estimated rate per cum (in Rupees)	40.00	20.00	40.00	30.00	30.00	20.00
Estimated rate increased by tender excess per cum (in Rupees)	42.52	21.26	45.39	34.04	34.04	22.69
Excess rate quoted by contractor (in Rupees)	229.95	85.44	54.61	45.96	85.96	22.31
Quantity actually executed (in lakh cum)	0.93	7.46	0.76	3.24	0.29	4.14
Excess cost (Rupees in lakh)	213.85	637.38	41.50	148.91	24.93	92.36

The MD stated (November 2005) that soil had to be imported since rock and stone material were encountered in certain reaches and furnished copies of permission obtained from District Collector, Villupuram for transporting earth for this work. This contention was not tenable as the total quantity of backfilling work executed was 11.60 lakh cum whereas permission was obtained only for 10,000 cum of earth from the Collector on 28 April 2004. Besides, the pipe laying works had been completed before this date and only rectification works were carried out during May 2004.

Failure in not ensuring economy in expenditure

Government directed (August 2001) the Board to follow measures of economy in execution of the Project without prejudice to quality of work. The following paragraphs illustrate the failure of the Board in enforcing the economy resulting in avoidable extra expenditure of Rs 7.95 crore in Packages I to IV.

⁷ Type I – compaction : 85 per cent; Type II – compaction : 95 per cent.

3.4.20 Unnecessary provision of Gabion

Provision of 'gabion mattress' instead of protective stone work.



Shah Technical Consultants who prepared the detailed designs and bid documents provided for 'protective stone work' to resist erosion of ground surface from fast flow of water arising from storm run-off. The work involved filling boulders for a thickness of 30 cm without leaving cavities and covering the top with turf. However, this work in the tender schedule for Package III was described as 'gabion mattress' which involves formation of

rectangular boxes with wire mesh, filling it with stones and covering with the wire mesh and tying its edges tightly (Figure 7). Against the estimated rate of Rs 450 per cum, the successful tenderer quoted Rs 7,773.87 per cum. The Board, while evaluating the tender, failed to notice the abnormal variation in rates. The contractor used wire mesh for this 'protective stone work' and was paid Rs 4.42 crore. Cost of the work as per the design evolved by the consultants was Rs 27 lakh only. The MD contended (November 2005) that 'gabion mattress' was provided as per the design evolved by the consultants. The consultant had only recommended provision for 'protective stone work' involving filling with boulders and covering the same at the top with turf. However, the tenders were floated involving a different design and composition for the work resulting in extra expenditure of Rs 4.15 crore after deducting the estimated rate for the work that had been evolved by the consultant in his design.

3.4.21 Excess use of cement

Use of higher quantum of cement than specified in Indian Standards for concrete works.

The bid documents of Packages I to IV prepared in August 1996 stipulated that IS 456 should be followed for concrete works. The IS 456 of 1978 then prevalent stipulated the minimum cement content for various grades of concrete. However, the bid documents provided for higher 'minimum cement content'. The IS 456 was revised in 2000 giving specific requirement of cement for various grades of concrete which was much lower than that provided for in the contract. The Board failed to revise the quantum of cement as per latest IS specifications. This resulted in excess use of cement costing Rs 1.31 crore in the works. The MD admitted that IS 456 was to be followed, but contended that the cement content prescribed in IS 456 of 2000 was to achieve the required grade of concrete and not the intended durability. The MD also contended (November 2005) that the design mix approved by institutions like Anna University had been adopted in the work. These contentions were not tenable as (a) the IS specifications had considered durability while deciding the grade of concrete and (b) the compressive strength of the concrete mix recommended by Anna University was much more than the strength prescribed for the designed grade indicating higher proportion of cement in the mix.

3.4.22 Use of costlier pipes for encasing

Use of costlier MS casing pipes instead of RCC casing pipes for crossings beneath National Highways.

Though the alignment of the pipelines crossed the National Highways at seven locations, the Board failed to seek permission from National Highways Authority of India (NHAI) immediately after awarding the contracts in October 2002. When permission was sought for in July 2003, NHAI stipulated (January 2004) that pipeline should be laid using trenchless technology without cutting the road. Considering the time of 180 days required for providing RCC casing pipes, the work in five locations had to be executed with costlier MS casing pipes. The MD accepted (November 2005) that the economical RCC casing pipes could not be provided due to time constraint. Had permission been sought for in time, the constraint faced in manufacture of RCC casing pipes would not have arisen and extra expenditure of Rs 1.97 crore would have been avoided.

3.4.23 Failure to sell excavated hard rock

The contract for Packages III and IV provided for dumping of 1.15 lakh cum of hard rock excavated for laying pipeline in low-lying areas. The contractors excavated 94,888 cum of hard rock. As these stones are valuable and could be used in road, irrigation and other works, these should have been stored in convenient places and auctioned. By adopting the schedule of rates for the year 2003–04 of PWD (Rs 55 per cum), the total value of hard rock excavated and not sold worked out to Rs 52 lakh. The MD stated (November 2005) that stacking of excavated rock was not provided in the estimate prepared by the consultant. This failure resulted in a revenue loss of Rs 52 lakh to the Board.

Fulfilment of contract conditions

Failure to ensure fulfilment of contract conditions led to extra expenditure of Rs 20.43 crore as discussed below:

3.4.24 Lesser recovery of benefit accrued on Central Excise exemption

Central Excise benefit was not passed on by the contractors in full.

As the GOI exempted the payment of Excise Duty (September 2002) on all items of machinery required for setting up water treatment plant and pipes needed for delivering raw water to the plant and clear water to the storage point, the Board, while issuing the work order (October 2002) for Packages III and IV, incorporated a specific condition that the benefit accruing to the contractors on account of exemption of Central Excise Duty would be passed to it.

Scrutiny of Central Excise records of the sub-contractor who converted the hot rolled (HR) coil purchased by the contractors into pipes and lined them, revealed that the total assessable value of pipes manufactured from HR coils was Rs 316.48 crore and the contractors were liable for paying Rs 50.64 crore (16 per cent) as Central Excise Duty but for the exemption. After reversing a credit of Rs 25.32 crore (eight per cent) towards duty paid on HR coils (CENVAT), the contractors availed a net benefit of Rs 25.32 crore on account of the exemption. However, the Board recovered only Rs 6.15 crore from the bills based on the workings furnished by the contractors resulting in extra expenditure of Rs 19.17 crore.

Apart from conversion of HR coils into pipes, the contractor for Package IV had also purchased MS pipes from Steel Authority of India Limited (SAIL) and lined them through a sub-contractor. Though the pipes were purchased from SAIL without paying Central Excise Duty of Rs 1.26 crore, this amount was not recovered by the Board.

The MD contended (November 2005) that proper procedure was followed in obtaining the excise duty exemption for the pipes supplied. This contention was not tenable as the Board had not verified the excise records of the manufacturers of pipes to ascertain the actual duty exemption availed and amount actually recoverable from the contractors.

Expenditure on contingent schemes

The feasibility study conducted in February 1994 disclosed that the reliability of Veeranam source to supply water to Chennai city could be increased from 81 *per cent* to 95 *per cent* by releasing about 353 mcft of water annually from Mettur reservoir. As the minimum monthly storage available in Mettur reservoir was not adequate even to meet the requirement for irrigation, the Board examined the possibility of (a) drawing 60 mld of water from Neyveli aquifer and (b) drawing 150 mld of sub-surface water from river Coleroon near Lower Anicut. The deficiencies noticed in taking up these two contingent schemes are discussed below:

3.4.25 Avoidable expenditure on standby borewells

Unnecessary sinking of 15 borewells costing Rs 8.20 crore.

The Board entrusted (April 2003) the work of conducting the feasibility study to assess ground water potential in Neyveli aquifer to PWD but even before the receipt of the report, it decided (December 2003) to sink 45 deep borewells in Neyveli aquifer along the alignment of CWSAP to draw 60 mld of water from 30 borewells keeping 15 borewells as standby. The work commenced in February 2004 and was completed in April 2004 at a cost of Rs 24.61 crore. The feasibility report received in March 2004 recommended drawal of 60 mld at the rate of two mld per borewell from 30 borewells. As the yield in the aquifer ranged between 3.6 mld and 4.32 mld per borewell, sinking of 15 borewells at a cost of Rs 8.20 crore as standby was avoidable.

On being pointed out in audit, the MD stated (November 2005) that the additional borewells were necessary to ensure supply of at least 60 mld of water during the times when Veeranam tank had no storage and these additional borewells were used to supply 70 mld to 90 mld of water for shorter duration to tackle the drought situation. This contention was not tenable as PWD cautioned against drawal of more than 60 mld of water and not to exceed prescribed drawal of two mld per well.

3.4.26 Wasteful expenditure on NVEP

Avoidable pre-project expenditure.

The proposal for drawing 150 mld sub-surface water from river Coleroon by extracting 6.5 *per cent* of the total potential sub-surface water was met with protests from the farmers of Cauvery basin. However, without convincing

them, the Government sanctioned (January 2005) NVEP for Rs 300 crore. The Board also spent Rs 78.72 lakh on inauguration of the scheme (Rs 41.71 lakh) and on advertisement charges, engaging revenue officials, fees to advocates etc., (Rs 37.01 lakh). The High Court dismissed (April 2005) a writ petition filed by farmers against NVEP but directed the Government to send experts to the district to allay the apprehensions of the farmers. As the Board could not convince the farmers, the Project was cancelled in April 2005.

Thus, the expenditure of Rs 78.72 lakh incurred even before convincing the farmers that their irrigation rights would be protected became wasteful. The MD contended (November 2005) that the preliminary expenditure may still be regarded as useful as the water potential of the scheme may perhaps be considered for use in later years for other nearby areas/towns. However, the expenditure incurred was in the nature of ‘consumption’ expenditure and cannot be termed as ‘preliminary expenditure’ of the scheme.

3.4.27 Supervision and monitoring

Though the Monitoring and Empowered Committee was constituted for monitoring the implementation of CWSAP, the Government did not fix any time limit for completion of source improvement works under NVP. Consequently, the completion of NVP within the time schedule prescribed for CWSAP was not ensured. No supervision by the Board was envisaged for implementing CWSAP and the payments were made based on the measurements taken and certified by MECON Limited. No check measurements was made by engineers of the Board to verify the correctness of the volume of works certified by the consultant and the payments were based on blind faith on the consultant.

The MD contended (November 2005) that the engineers of the Board recorded independent measurements as per the usual procedure. This contention is contrary to the reply given to audit by the engineers of the Board that the measurements were recorded by them based on the certification by the consultant ‘MECON Limited’.

3.4.28 Conclusions

While the transmission component of the Project (CWSAP) had been completed, the source development works (NVP) were incomplete and the storage of water to the expected level could be made only with temporary make shift arrangements at Lalpet weir. As the shutters can be fixed only when there is no water in the tank, the completion of the work in the immediate future is not possible. Further, the effectiveness of the temporary arrangements to store water for long period at the FTL is doubtful. The execution of CWSAP by the Board based on consultant’s design and estimate without detailed scrutiny resulted in avoidable wasteful expenditure.

3.4.29 Recommendations

- Efforts should be made to adhere to the time schedule to avoid cost overrun.

Correctness of the volume of work not checked.

- The reports and estimate of consultants should be reviewed critically to achieve economy in expenditure.
- The volume of work executed has to be checked by the Board independently to ascertain the correctness of the claims by contractor.

The above points were referred to the Government in August 2005; reply had not been received from the Public Works Department (December 2005).

RURAL DEVELOPMENT DEPARTMENT

3.5 Sampoorna Grameen Rozgar Yojana

3.5.1 Introduction

The Sampoorna Grameen Rozgar Yojana (SGRY) was launched by the Government of India (GOI) in September 2001 with the primary objective of providing additional wage employment to poor in all rural areas and thereby providing food security and improvement in nutritional levels. The secondary objective was creation of durable community and social and economic assets for infrastructural development in rural areas. Preference in employment was to be given to agricultural wage earners, non-agricultural unskilled wage earners, marginal farmers, women, members of Scheduled Castes/Scheduled Tribes (SC/ST), etc. The wages were to be paid partly in food grains at five kg per manday and partly in cash. The entire food grain component was provided by the GOI free of cost. The cash component of the scheme was shared between the GOI and the State Government in the ratio of 75:25 respectively.

SGRY consists of two streams. While Stream I¹ is implemented by District Panchayat and Block Panchayats, Stream II¹ is implemented by Village Panchayats. The two streams were merged in April 2004 and Unified SGRY Scheme was implemented from 2004-05. SGRY permits creation of a special component (SGRY-SPL) for districts affected by natural calamity. Under this component, the GOI releases only food grains for generating wage employment and their distribution can be dovetailed with any Central/State Schemes provided the cash portion of wages and material are met from the respective schemes.

Funds for the implementation of SGRY were released by the GOI and the State Government to District Rural Development Agencies (DRDAs). These in turn released funds under Stream I and Stream II to the respective implementing agencies.

3.5.2 Organisational set up

The scheme is implemented by the Rural Development Department, headed by a Secretary to the Government with the assistance of the Director of Rural Development (DRD). At the District level, the Scheme is implemented and monitored by the Project Officer, DRDA, under the chairmanship of the District Collector. The scheme works were executed through Block Development Officer (BDO) (Regular) and Block Development Officer (BDO) (Village Panchayats) in respect of Streams I and II respectively.

The SGRY-SPL was implemented by the Special Commissioner and Commissioner of Revenue Administration, Disaster Management and Mitigation (SC&CRA) at State level and the Collector at District level through DRDAs. In addition to Blocks, line departments were also entrusted with the

¹ Stream I covered activities of erstwhile Employment Assurance Scheme (EAS) while Stream II covered the activities of erstwhile Jawahar Gram Samridhi Yojana (JGSY).

implementation of the SGRY-SPL by dovetailing with various schemes implemented by them.

Records relating to the implementation of SGRY for the years 2001-05 were reviewed between April 2005 and July 2005 in the Secretariat and offices of Heads of Department of Rural Development, Revenue and Public Works. Records of the DRDAs, Blocks and Village Panchayats of six districts² out of 30 districts selected for detailed check using stratified sampling method were also reviewed. Information was also obtained from the line departments who had implemented the SGRY programme in these districts. Records of Tamil Nadu Civil Supplies Corporation (TNCSC) were also called for and checked during the review. The audit review included an 'Entry conference' with DRD in June 2005 and concluded with an 'Exit conference' with him in August 2005.

Audit findings:

Financial performance

3.5.3 Accounting of SGRY funds

The table below depicts the position of receipts and expenditure during 2001-05 of the DRDAs and the balance available with them at the end of March 2005 as per the records of the DRD:

(Rupees in crore)

Year	Opening balance	Receipts			Total	Expenditure as reported by DRD to GOI	Closing balance
		Central	State	Misc.*			
2001-02							
EAS	3.53	88.00	29.33	1.45	122.31	119.92	2.39
JGSY	1.94	87.73	28.09	5.28	123.04	120.51	2.53
2002-03							
Stream I	2.39	103.56	34.52	2.01	142.48	139.48	3.00
Stream II	2.53	100.46	34.64	2.20	139.83	136.99	2.84
2003-04							
Stream I	3.00	133.49	38.57	2.69	177.75	171.07	6.68
Stream II	2.84	131.22	36.37	1.59	172.02	164.91	7.11
2004-05							
Unified	13.79	216.55	82.21	8.70	321.25	309.61	11.64
Total		861.01	283.73	23.92		1162.49	

* Miscellaneous receipts comprised refunds, etc., that should have been booked as minus expenditure.

² Coimbatore, Dharmapuri, Salem, Thanjavur, The Nilgiris and Villupuram. Krishnagiri a district carved out of Dharmapuri in November 2003 was also included in this sample.

3.5.4 Funds lying with executing agencies

Audit noted that the funds released by the DRDAs to the implementing agencies were booked as expenditure in the books of DRDAs. Test check in five districts³ revealed substantial unutilised cash balances under Stream I with the Blocks Panchayats⁴ during 2001-04 as tabulated below:

(Rupees in crore)

Year	Opening balance (1 April)	Receipts	Total	Expenditure reported by DRDA	Closing balance with DRDAs (31 March)	Balance with Block Panchayats
2001-02	0.98	24.54	25.52	24.41	1.11	12.67
2002-03	1.11	29.36	30.47	29.68	0.79	14.10
2003-04	0.79	32.95	33.74	32.77	0.97	14.38

Thus out of total expenditure of Rs 86.86 crore reported during 2001-04, an amount of Rs 14.38 crore was lying with the Block Panchayats and Rs 97 lakh with the DRDAs.

Government stated (November 2005) that the unspent balance with implementing agencies will be monitored and developmental works would be undertaken to utilise it.

Diversion of funds

Rupees 7.22 crore of SGRY funds were diverted for deposit in Small Savings Account during 2001-05.

Three Blocks and 16 Village Panchayats of The Nilgiris District transferred SGRY funds amounting to Rs 6.31 crore⁵ during 2002-05 to Post Office account under Small Savings Scheme during March of each financial year on the orders of District Collector to show achievement under small savings. Similarly in 5 blocks⁶ of Coimbatore District, Rs 90.50 lakh⁷ were diverted to the Small Savings Scheme during 2001-04. The amounts were received back during April/May of the subsequent year. The expenditure reported to the GOI as of 31 March of each year was inflated to this extent.

Due to inadequate release of funds by the State Government towards cash component of SGRY-SPL, DRDA, Coimbatore diverted Rs 86.57 lakh during 2004-05 from SGRY Stream II funds to SGRY-SPL. This diversion resulted in mismatch between funds and food grain for the works to be carried out under SGRY Stream II. Consequently, village panchayats, the implementing agencies for Stream II, were deprived of their share. Further, this also resulted

³ Coimbatore, Dharmapuri, Salem, Thanjavur and The Nilgiris.

⁴ District Panchayats did not have any cash balance as they transferred the funds received from DRDAs to Block Panchayats, immediately.

⁵ Stream I - 2002-03: Rs 10 lakh, 2003-04: Rs 1.90 crore, Stream II - 2003-04: Rs 3.80 crore and 2004-05: Rs 51 lakh.

⁶ Anaimalai, Madukkarai, Palladam, Suler and Udumalpet.

⁷ 2001-02: Rs 25.50 lakh, 2002-03: Rs 21 lakh and 2003-04: Rs 44 lakh.

in diversion of Rs 64.93 lakh (75 per cent of Rs 86.57 lakh) of the GOI funds for SGRY-SPL though the GOI guidelines had specifically prohibited the GOI funds released for SGRY-SPL.

Donations/contributions not reported to the GOI

Donations/contributions were received from Members of Legislative Assembly/Panchayat Presidents/ Councillors/Public, etc., for execution of SGRY works, as additional resources by the DRDA, Coimbatore. Contrary to Scheme guidelines these funds were not pooled with SGRY funds but were kept in three separate bank accounts called “SGRY Public Contribution Account”. Rupees 10.01 crore were collected under this account between October 2002 and March 2004. Though the amounts were utilised for purchase of materials/execution of specific works under SGRY, the receipt and utilisation was not reported to the GOI through the periodical reports. This resulted in incorrect exhibition of SGRY resources. As of August 2005, Rs 1.49 crore were lying in these saving accounts.

3.5.5 Physical diversion of food grains

Under SGRY, TNCSC receives authorisation for the quantity of rice allotted to the districts from the District Collectors concerned and moves the quantity from Food Corporation of India (FCI) depots and stores it in its taluk godowns for the distribution.

In The Nilgiris District, TNCSC lifted 54,116.574 MT of rice from FCI during 2001-05 and distributed 43,716.850 MT for the scheme. Though the closing stock of SGRY rice as on 31 March 2005 should have been 10,399.724 MT, the physical quantity including the quantity of rice pertaining to all other schemes available was only 3,870.589 MT of which 216.449 MT was exhibited as the stock of SGRY rice. This indicated that 10,183.275 MT of SGRY rice was diverted for other schemes.

Government admitted (November 2005) the diversion and attributed it to the shortage of storage capacity in TNCSC godowns and the limitation of storing raw rice for a long period. This reply is not tenable, as prolonged storage of rice can be avoided by proper indenting.

3.5.6 Diversion of SGRY Rice to Public Distribution System

The channel for distribution of rice under SGRY Scheme is Public Distribution System (PDS) outlets. The rice received under SGRY Scheme issued by the GOI free of cost is valued at Rs 5.65 per kg (price assumed by the State Government for purpose of calculation of daily wage rate). However, rice issued through regular PDS is valued at Rs 3.50 per kg. During 2002-05, in three districts the SGRY rice valued at Rs 3.49 crore was diverted to PDS as detailed below and distributed as such at Rs 3.50 per kg.

**During 2002-05,
2,958.240 MT of SGRY
rice was irregularly
diverted to PDS.**

(Rupees in lakh)

District	Year	Quantity in MT	Value at Rs 11,800/MT	Authority ordering diversion
Coimbatore	2003-04	56.602	6.68	District Collector, Coimbatore.
	2004-05	259.922	30.67	Project Officer, DRDA, Coimbatore.
Salem	2002-03	458.186	54.06	Based on the request of Joint Registrar, Co-operatives.
Thanjavur	2002-03	818.354	96.57	Not furnished.
	2003-04	1,365.176	161.09	Not furnished.
		2,958.240	349.07	

While Government did not offer any remarks on diversion of rice in respect of Coimbatore and Salem districts, it endorsed (November 2005) the reply of DRDA, Thanjavur that SGRY rice could not have been diverted as under the SGRY scheme rice is distributed to labourers through PDS outlets only. This reply is not tenable as the Assistant Quality Inspectors of Kumbakonam, Papanasam and Pattukottai Taluk Godowns of TNCSC had stated (June 2005) that food grains were diverted to regular PDS account.

3.5.7 Non-submission of coupons and sale of rice at lower rates

Between September 2001 and July 2002, TNCSC distributed rice intended for implementation of SGRY Scheme to co-operative societies against payment of Rs 3,050/MT. The cost of rice so collected by TNCSC was to be refunded on production of coupons as proof of supply to beneficiaries. However, even three years after issue, the coupons were not received from the co-operative societies for 1,596.268 MT of rice supplied by TNCSC at a cost of Rs 48.69 lakh at Rs 3,050/MT. In absence of receipt of stipulated coupons it remains doubtful that the rice which was otherwise costing Rs 1.88 crore⁸ was actually supplied to the beneficiaries.

3.5.8 Coupons issued for bulk quantities

In four⁹ of the six test checked districts, bulk quantities of rice were released for entire work executed under Streams I and II to village committee, self help groups, road inspectors, village panchayat assistants, etc., to whom the works were entrusted in one or two coupons extending upto 10,000 kg instead of releasing rice through coupons to each worker during 2001-05. Issue of such coupons for bulk release of rice was not permitted under the scheme. Moreover, the BDOs did not have any records to show that such food grains were actually distributed to the individual workers concerned. Violation of prescribed procedure for release of food grains enhances risk of leakage in its distribution and indicates possible involvement of contractor/middlemen in execution of works.

⁸ Rs 11,800 per MT as the price fixed by GOI for payment to FCI during 2002-03 multiplied by quantity of 1,596.268 MT.

⁹ Dharmapuri, Krishnagiri, Thanjavur and The Nilgiris.

While the Government did not offer any remarks in respect of Krishnagiri and The Nilgiris districts, it endorsed (November 2005) the replies of DRDAs, Thanjavur and Dharmapuri that issue of bulk quantity of rice would be avoided in future.

3.5.9 Non-payment of wages as per SGRY guidelines

Labourers were to be paid wages (in the form of rice and cash) weekly based on the muster roll maintained for each work. In all the test checked districts it was noticed that rice was distributed either weekly or bi-weekly to the labourers but contrary to the guidelines the cash portion of wages was disbursed only on completion of work. Test check of vouchers for payment of wages in respect of 267 works revealed substantial delay in payment of cash portion of wages in respect of 248 works as tabulated below:

Delay in payment	Number of works	Mandays generated	Wages paid (Rupees in lakh)
Between one month and six months	187	2,41,067	62.07
Between six months and one year	52	95,133	24.50
More than one year	9	31,784	8.18
Total	248	3,67,984	94.75

Government, while generally accepting the delay in payment, endorsed (November 2005) the replies of the test checked DRDAs that necessary instructions would be issued to the implementing agencies to issue rice/pay cash on a weekly basis.

Cash component of wages was not paid in respect of 473 works involving wages of Rs 3.87 crore.

As per guidelines at least 25 *per cent* of the wages should be paid in cash to the workers engaged under SGRY. In Coimbatore, 340 works which included construction of buildings, check-dams and other water conservation works costing Rs 6.87 crore were taken up during 2003-04 and executed by 19 BDOs and three divisions of Public Works Department under SGRY-SPL. The entire wage component of Rs 3.19 crore was paid in the form of rice. Thus, the expenditure of Rs 79.75 lakh that should have been met by State Government was effectively borne by the GOI. Similarly, in Villupuram District, the entire wage component of Rs 67.62 lakh was paid in the form of rice for 133 works at 9.5 kg per manday¹⁰.

In respect of construction of a water harvesting structure at Kangeyampalayam (Coimbatore District) taken up (December 2002) by Agricultural Engineering Department at an estimated cost of Rs 25 lakh, payment to workers comprised an average of 10.48 kg of rice per manday and the cash portion of wages was upto a maximum of Rs 5.97 per manday only. Thus the norm of minimum of 25 *per cent* cash wages was not maintained.

Government stated (November 2005) that observations of Audit were noted for guidance and strict adherence in future.

¹⁰ 9.5 kg x Rs 5.65/kg = Rs 54 per manday.

3.5.10 Employment Register

Employment registers were not maintained by the executing agencies.

As per scheme guidelines, each Panchayat Union had to maintain an Employment Register for works implemented under its own component (Block Panchayat share of Stream I), which would contain the details of number of persons employed including the number of SC/STs, gender of the workers and number of mandays generated for each work under SGRY. DRDA had also to maintain a similar Register for the entire district in respect of works done under its own component (District Panchayat share of Stream I).

Neither the Panchayat Unions nor the DRDAs maintained the said Registers in Coimbatore and The Nilgiris districts. Due to non-maintenance of the Employment Register, the accuracy of mandays generated, number and category of people employed (especially target groups like SC/ST, women labourers, etc.) could not be ensured in audit.

Government stated (November 2005) that instructions have been issued to the executing authorities to maintain Employment Register.

3.5.11 Ineligible works

The following ineligible works were undertaken under SGRY Scheme.

Sl. No.	Year	District	Number of works	Amount (Rs in crore)	Brief nature of irregularity
1.	2002-05	The Nilgiris	633	18.04	Black topping of roads taken up contrary to the SGRY guidelines.
2.	2002-04	Dharmapuri	14	0.54	
3.	2003-04	Villupuram	6	0.07	
4.	2001-03	Thanjavur	15	0.29	
5.	2001-05	Coimbatore	79	1.45	
6.	2003-05	Coimbatore	177	4.09	Gravel roads were laid contrary to DRD's instruction to execute road work upto the level of water bound macadam.
7.	2002-04	Thanjavur	107	0.71	
8.	2002-05	Villupuram	948	5.86	
9.	2002-05	Coimbatore	2,379	15.28	Cement concrete roads which are material intensive were executed contrary to the GOI guidelines that labour oriented works only be undertaken.
10.	2002-05	Dharmapuri/ Krishnagiri	178	0.99	
11.	2002-05	Salem	438	2.41	
12.	2002-04	Coimbatore	8	0.30	Though prohibited under SGRY scheme, building works were taken up in seven higher secondary schools and in one college.
13.	2003-05	Coimbatore	33	0.52	Works were executed in urban areas instead of in rural areas.
14.	2003-05	Coimbatore	30	0.78	Works were awarded to Kattidamaiyam ¹¹ which was prohibited as it charges 7.5 per cent centage charges for executing civil works.
15.	2003-04	Krishnagiri	8	0.85	
16.	2003-04	The Nilgiris	24	0.61	
Total			5,077	52.79	

¹¹ Kattidamaiyam: An agency formed for execution of civil works by the Collector in each district which charges 7.5 per cent service charges on the value of work executed.

Government stated (November 2005) that such ineligible works would not be taken up in future.

3.5.12 Conclusions

Primary objective of the scheme was to provide additional wage employment to the poor. In absence of the proper maintenance of basic records such as Employment Register, the accuracy of mandays generated and specifically employment that was provided from this scheme to targeted groups such as SC, ST, Women group, etc., could not be ensured in audit. There was no effective monitoring of unspent balances lying with Block/Panchayat and line Departments. Implementation of the scheme also revealed inordinate delay in payment of wages to labourers, non-creation of durable community assets, taking up of ineligible and prohibited works. There were cases of diversions of scheme funds of Rs 7.22 crore to Small Savings Scheme and Rs 86.57 lakh to SGRY Stream II despite GOI guidelines. Instances of works aggregating Rs 52.79 crore that were ineligible or prohibited or executed through contractors came to notice; this adversely affected the implementation of the scheme.

3.5.13 Recommendations

- Employment registers should be maintained in Blocks.
- Unspent balances with the implementing agencies should be monitored regularly to ensure funds are utilised optimally in achievement of objectives.
- Delay in payment of wages should be avoided.
- Diversion of funds and execution of works through contractors and ineligible works should be stopped, so that beneficiaries get the full benefit of the scheme funds.