

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

AUDIT PARAGRAPHS

6.1 General

Autonomous bodies and authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the State Cooperative Societies Act, Companies Act, etc., to implement certain programmes. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 2000-2001, financial assistance of Rs 3969.66 crore was given to various autonomous bodies and other institutions broadly grouped as under:

(Rupees in crore)

Serial Number	Name of Institution	Amount of assistance paid		
		Grant	Loan	Total
1	Universities and Educational Institutions	1675.61	0.08	1675.69
2	Municipal Corporations and Municipalities	2.49	122.57	125.06
3	Zilla Parishads and Panchayat Raj Institutions	914.30	0.56	914.86
4	Development Agencies	730.85	-	730.85
5	Hospitals and other Charitable Institutions	9.31	-	9.31
6	Other Institutions	334.55	179.34	513.89
	Total	3667.11	302.55	3969.66

6.2 Delay in furnishing Utilisation Certificates

6.3 Delay in submission of accounts

In order to identify institutions which attract audit under section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government / Heads of Departments are required to furnish to Audit, every year detailed information regarding financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions.

741 accounts pertaining to 1984-85 to 1999-2000 were received by Audit during 2000-2001, 499 Accounts had attracted audit under Section 14 of the Act. However 610 Accounts were audited during the year 2000-01 including the Accounts obtained during local audit. Information regarding financial assistance given to various Universities, etc., and their expenditure for the years till 1999-2000 called for was awaited (September 2001) from 18 departments of Government and their respective Heads of Department. Some autonomous bodies that had received grants exceeding Rs 25 lakh

from the following departments have not submitted audited accounts to the Accountant General for several years.

Sl.No.	Name of the Department	Year from which accounts had not been furnished
1.	Education, Science and Technology, Educational institutions and miscellaneous institutions	1987-88
2.	Rural Development	1987-88
3.	Social Welfare and Nutritious Meal Programme	1996-97
4.	Municipal Administration and Water Supply	1998-99

Particulars regarding Government Companies are featured in the Report of the Comptroller and Auditor General of India (Commercial), Government of Tamil Nadu.

6.4 Entrustment of audit by Government

Audit of accounts of the bodies mentioned in the Appendix XXXIX has been entrusted to the Comptroller and Auditor General of India by the State Government.

6.5 Audit arrangement

Primary audit of local bodies, educational institutions and others is conducted as detailed below.

Sl.No.	Name of the Institution	Audit conducted by
1.	Panchayati Raj Institutions	Director of Local Fund Audit
2.	Educational Institutions	
	a) Schools	Internal audit of the Directorate of School Education
	b) Colleges	Internal audit of the Directorate of Collegiate Education
	c) Polytechnics	Chief Internal Auditor and Chief Auditor of Statutory Boards
	d) Universities	Director of Local Fund Audit
3.	Cooperative Institutions	Director of Audit of Co-operative Societies
4.	Miscellaneous Institutions	Chartered Accountants

The audit observations in respect of these are given in the following paragraphs.

HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT

6.6 Nugatory expenditure towards loans for revival of sick Co-operative Spinning Mills

Although two committees recommended the revival of only eight out of eighteen Co-operative spinning mills in the State, Government decided to revive all the eighteen mills by giving relief package. Expenditure of Rs 50.34 crore incurred on seventeen mills for their revival failed to make them viable.

The eighteen Co-operative Spinning Mills (CSMs) in the State established during 1958-1985 with the main objective of ensuring uninterrupted supply of hank yarn to weavers became commercially not viable and financially unsound having accumulated a total loss of Rs 221.30 crore as on 31 March 1997.

In May 1997, National Bank for Agriculture and Rural Development (NABARD) to which the matter was referred, entrusted a detailed and comprehensive study of performance of these mills to Industrial and Technical Consultancy Organisation of Tamil Nadu Ltd. (ITCOT). Government also entrusted (May 1997) a similar study to the committee headed by Shri S.V.S. Raghavan, former Chief Executive of a Government Company, with a view to suggest suitable measures for the revival of the mills.

Considering the position of working capital, existing technology and prevalent labour cost of the sick CSMs, ITCOT as well as Shri Raghavan committee unanimously recommended the revival of only eight out of eighteen CSMs and offer of an attractive Voluntary Retirement Scheme (VRS) to the workers of all the mills.

However, although the Government was very much aware of the prevailing conditions warranting the closure of ten mills, it decided (March 1998) as a policy to revive all the eighteen mills, based on the announcement of the Chief Minister on the floor of the Legislative Assembly. Government constituted (April 1998) a Committee of Officers, which included Director of Handlooms and Textiles (DHT), to formulate revival measures. The measures suggested (April 1998) included a facility for conversion of cash credit outstanding into Working Capital Term Loan (WCTL) and also to seek fresh cash credit from the District Central Co-operative Bank (DCCB). These measures required clearance of National Bank for Agriculture and Rural Development (NABARD).

In June 1998, Government accepted the measures for the revival of all the eighteen CSMs in consultation with NABARD and Tamil Nadu State Apex Co-operative Bank (TNSCB). The relief package involved a total financial commitment of Rs 185.26 crore, which included a loan component of Rs 16.26 crore towards payment of statutory dues like EPF, ESI, gratuity etc., one time settlement of loan availed from financial institutions and payment of terminal benefits/ ex-gratia to persons opting for VRS and the balance of Rs 169 crore was towards other measures[#]. However, although

[#] Other measures include margin money of Rs 6.20 crore, conversion of ways and means advance of Rs 19.85 crore to share capital, conversion of dues of CSMs. Rs 19.48 crore to TANSPIN as share capital and Rs 117.73 crore towards Guarantee by Government and Rs 5.74 crore towards deferral of Sales Tax.

TNSCB made proposals (September and December 1998) for 14 mills, NABARD gave its clearance, in October and December 1998, only in respect of six CSMS* for the relief measures, with the condition that the cash credit limit would be operative upto 30 September 1999. For the remaining 4 CSMS, no proposals were sent to NABARD.

Against the above relief granted, the actual amount utilised was Rs 85.95 crore, which included Rs 24.57 crore towards conversion of cash credit into WCTL and Rs 13.59 crore towards fresh cash credit to the six CSMS cleared by NABARD.

In addition to the loan component of Rs 16.26 crore included in the relief package, Government sanctioned (October 1999, March and December 2000) a further loan of Rs 36.21 crore towards VRS (Rs 31.66 crore) and repayment of cotton dues (Rs 4.55 crore) for the purchases made from private parties prior to 1 July 1996. As against these, the following amount of loan was actually released between 1998 and 2001 to seventeen out of eighteen CSMS, repayable in instalments.

(Rupees in crore)

Nature of loan	Sanctioned			Released		
	1998-99	1999-2000	2000-2001	1998-99	1999-2000	2000-2001
In the relief package						
Loan amount towards statutory dues	7.11	..	..	7.11	..	..
Loan amount towards term loan	4.45	..	..	4.45	..	..
Loan amount towards VRS	2.50	2.20	..	2.50	2.20	..
Loan amount towards margin money assistance	6.20	..	..	2.23	0.49	..
Outside relief package						
Loan amount towards VRS	..	..	31.66	..	..	26.81
Loan amount towards cotton dues	..	2.64	1.91	..	2.64	1.91
Total	20.26	4.84	33.57	16.29	5.33	28.72

Performance of the CSMS, including those six cleared by NABARD, continued to be grim even after the relief measures and loans; the accumulated losses as of March 2001 were Rs 352.05 crore and the net worth was negative for all the eighteen mills.

Government had ordered (June 1998) that DHT should take necessary action to carryout modernisation of CSMS with the assistance of NABARD/NCDC. Despite the above, Government (between June 1999 and March 2001) did not approve DHT proposal for borrowing Rs 8.68 crore from NCDC towards modernisation and margin money for four mills. The reason given was that the rate of interest (14.5 per cent) charged by NCDC was high and the CSMS, which were already running under heavy loss, could ill-afford this additional burden, further affecting the debt servicing.

* South India, Salem, Dharmapuri, Kanyakumari, Ramanathapuram and Erode CSMS.

Thirteen CSMs[@], which received assistance of Rs 28.49 crore between 1998 and 2001 failed to produce and supply yarn according to the allotment made by the DHT and sample check relating to these CSMs revealed that in five months (November and December 2000, February, April and May 2001) the shortfall ranged between three and eighty six *per cent*. Thus the revival did not achieve its objective.

The CSMs did not pay so far (July 2001) the instalment amounts of Rs 5.91 crore towards principal, Rs 4.93 crore towards interest upto March 2001 and Rs 0.40 crore towards penal interest, due against package loan and cotton loan. The modalities for recovery of VRS loan were yet to be finalised.

Thus, the total expenditure of Rs 50.34 crore incurred by Government on seventeen CSMs for their revival failed to make them viable. Consequently, not only the CSMs did not repay the instalments of loan amount due but also the expenditure incurred by Government became nugatory.

Government in their reply (September 2001) generally accepted the facts and stated that most of the mills were incurring loss due to glut in textile industry, high cost of cotton, low price of yarn, obsolete machinery etc., and consequently could not repay the loan. Government also stated that it had decided to privatise the mills incurring loss and a committee was formed for taking action towards this end in respect of the four non-functioning mills at Vellore, Villupuram, Madurai and Misereor.

**HOUSING AND URBAN DEVELOPMENT
DEPARTMENT
TAMIL NADU HOUSING BOARD**

6.7 Blocking of funds due to poor demand for housing units

Ineffective assessment and allotment policy of the Board had led to blocking of funds to the tune of Rs 59.53 crore on 2069 flats/ houses constructed under six schemes.

According to Government instructions of May 1986 and November 1994, the Tamil Nadu Housing Board (Board) should assess the demand before taking up the construction of dwelling units and should collect the registration fees from the applicants. The Board should allot the units according to the reservation policy for various categories of applicants, who could also refuse the allotment and claim refund of the registration fees at any time.

In the following cases, the Board had constructed 1458 houses and 1065 flats under 6 schemes at a total cost of Rs 72.01 crore. Of this, 1197 houses and 872 flats costing Rs 59.53 crore remained unsold as of July 2001. In

[@] Anna, Dharmapuri, Erode, Kancheepuram, Kanyakumari, Karur, Nagapattinam, Pudukottai, Ramanathapuram, Salem, South India, Srivilliputhur and Tiruchendur CSMs.

addition, Rs 4.50 crore had been spent on 226 flats under construction. The details are given in Appendix XL.

The basis on which the schemes were sanctioned, the deficiency noticed by Audit, action taken to dispose of the unsold units are given in Appendix XLI. In this connection, the following observations are made.

(i) The Board took up the construction of 1241 HIG flats in and around Chennai city without assessment of demand, merely stating that there was good demand for earlier schemes and areas chosen were already developed. It was, however, seen that 334 out of 1169 HIG flats already constructed under 9 schemes during 1994-95 and 1995-96 had remained unsold. The suggestions of the Superintending Engineer (Headquarters) in April 1995 to conduct demand assessment before undertaking the project was not considered by the Board. As a result, the construction taken up from 1996-97 met with poor demand; while 758 flats remained unsold, 226 flats were in advanced stage of completion as of July 2001. The Board contended that there was general recession in the Real Estate business and the flats could not be sold due to difficulty in getting bank loan of more than Rs 8 lakh and reluctance among public to produce Income Tax Clearance Certificate required for purchasing flats costing more than Rs 5 lakh. This clearly indicated that the Board had paid no attention to the marketability before taking up construction.

(ii) The construction of 1391 houses in four sectors in Madurai North Neighbourhood Scheme was taken up on the ground that there was good response for houses constructed earlier in another sector. It was, however, seen that these sectors had locational disadvantages/poor transport facilities and the Board could sell only 261 houses by July 2001. The Executive Engineer (EE), Madurai Housing Unit stated (August 2000) that the houses could not be sold due to lack of transport, law and order problem raised by Sri Lankan refugees living in that area, non-maintenance of houses after construction and increase in cost of unallotted houses by capitalising interest after the completion of the project period. The poor response even after the withdrawal of interest so capitalised clearly indicated that the basis of estimation of demand was faulty.

(iii) Though the 67 houses at Yercaud and 114 flats at Avaniapuram were taken up for construction after assessing the demand, none of the registered applicants was willing to purchase the units. The contention of the EE, Salem, that the public felt that the prices of houses at Yercaud were high, was not tenable as he had obtained consent from 89 registered applicants for the price of Rs 7.80 lakh to Rs 8.90 lakh before taking up the construction whereas the price of the house was fixed at Rs 7.39 lakh (18 houses) and Rs 10.14 lakh (49 houses) after completion. Similarly, the contention of EE, Special Division VII, Madurai that flats at Avaniapuram met with poor demand due to competition from private promoters, rigid payment condition of the Board and non-availability of potable water was not acceptable, as 164 applicants had registered before construction commenced. The poor sale was thus due to the policy of the Board, which did not provide for commitment either by the applicants to accept the flats/houses on allotment or by the Board to allot flats/houses to all registered applicants because of reservation policy.

Thus, the non-assessment of demand and allotment policy of the Board contributed to poor marketability of the housing units and resulted in blocking of Rs 59.53 crore.

The matter was referred to Government in March, April, May 2001; reply had not been received (September 2001).

6.8 Avoidable extra expenditure due to adoption of higher rates for marble flooring

Failure of the Board to confirm the market rate of marble stone from Public Works Department resulted in avoidable extra expenditure of Rs 79.36 lakh in the work of construction of Legislators' Complex at Chennai

The Tamil Nadu Housing Board (Board) follows the Schedule of Rates and data of Public Works Department (PWD) and the Tamil Nadu Building Practice (TNBP) for the works executed by them. TNBP provides for fixing the rate for substituted items of work based on market rate, if there was no prescribed rate for that item in the respective Schedule of Rates.

The Board, while executing the work of construction of Legislators' Complex at Chennai, decided (February 1999) to provide marble flooring instead of mosaic flooring in the complex, based on the directions (October 1998) of the Government. In order to avoid delay, the Secretary, Housing and Urban Development Department recommended (April 1999) execution of the substituted item through the same contractor who was constructing the complex. Accordingly, the Board obtained (April 1999) the rate for marble stone from the open market (Rs 1549.40 per square metre (sq.m)), arrived at the rate for marble flooring at Rs 1980 per sq.m and entered into a supplementary agreement with the contractor in June 1999. The work was completed in July 2000 with 14,444 sq.m of marble flooring.

It was observed that the PWD executed many building works with marble flooring and worked out the rate for this item of work at Rs 1286.25 per sq.m adopting the rate of Rs 1000 per sq.m for first quality marble stone. This rate was adopted from January 1999. The rate for first quality marble stone adopted in March 1999 by PWD for the work of construction of Collectorate building at Tiruvallur was also Rs 1000 per sq.m. Failure of Chief Engineer of the Board to ascertain the rate of marble stone from PWD before arriving at the rate for marble flooring resulted in an avoidable extra expenditure of Rs 79.36 lakh.

The matter was referred to Government in April 2001. Government stated (July 2001) that the data for marble flooring was not available with PWD when the Board prepared the proposal in November 1998 and hence the market rate was adopted. The reply was not tenable since the rate for marble stone was available with PWD in January 1999 whereas the Board ascertained the market rate for marble stone only in April 1999 and executed the supplementary agreement in June 1999.

6.9 Avoidable payment of interest due to delay in taking decision as directed by the High Court

Failure of Government to take decision within the time limit prescribed by the High Court resulted in avoidable payment of interest of Rs 37.62 lakh.

The Tamil Nadu Housing Board (Board) entered into an agreement (March 1997) with Housing Development Finance Corporation Limited (HDFC) for a loan of Rs 2.92 crore for constructing 23 Higher Income Group (HIG) flats in the land owned by it at Anna Nagar, Chennai for allotment to its employees under 'Staff Housing Purchase Scheme'. The loan was repayable in equated monthly instalments after the receipt of the

entire loan. The Board drew the first instalment of Rs 1.45 crore in March 1997 and entrusted the work to a contractor in October 1997.

On commencement of the work, the 'Towers Club', situated adjacent to the site, filed (April 1998) a writ petition in the High Court, Chennai seeking a stay on the ground that their representation (January 1997) for allotment of the site for expansion of the club activities was pending with Government. The High Court directed (April 1998) the Board to maintain status-quo and ordered the Government to pass suitable orders within two months. Though the Board communicated the orders of the Court to Government in April 1998, it did not inform them of the financial loss that would arise, in case decision of the Government is delayed. Based on the orders (September 1998) of the Minister for Housing, the Secretary, Housing inspected (August 1999) the site and recommended (January 2000) either to allot 4656 square feet (sq. ft.) out of the available 25176 sq. ft. to the club for use as approach and car parking area and restrict the construction to 16 flats or to reject the requirement of the club. No decision was taken till May 2001 and when audit pointed out the delay, the Government proposed (May 2001) to call for the orders of High Court from the Board. Pending decision of the Government, the Board decided to restrict the total loan to Rs 1.45 crore and commenced the repayment of loan with interest from January 2001.

It was seen that the Board spent Rs 13.20 lakh on the work and earned interest at an average rate of 6 *per cent* per annum on Rs 1.32 crore kept unutilised, but paid interest at 15.5 *per cent* to HUDCO till December 2000. Thus, due to delay in taking the decision, the Board incurred an additional expenditure of Rs 37.62 lakh towards interest calculated at 9.5 *per cent* on Rs 1.32 crore from July 1998 to June 2001.

The matter was referred to Government in April 2001; reply had not been received (September 2001).

**MUNICIPAL ADMINISTRATION AND WATER SUPPLY
DEPARTMENT
CHENNAI METROPOLITAN WATER SUPPLY AND
SEWERAGE BOARD**

**6.10 Avoidable extra liability in using higher class of pipes in
water distribution works**

**Use of higher class Ductile Iron pipes in strengthening of distribution
system under Second Chennai Water Supply Project resulted in extra
liability of Rs 16.95 crore.**

The work of strengthening the distribution system of water supply mains of 11 zones under World Bank-aided Second Chennai Water Supply Project was entrusted to 3 contractors by Chennai Metropolitan Water Supply and Sewerage Board (Board) in May 1999, June 1999 and February 2000 for a total value of Rs 173.41 crore. The pipelines for the work were designed to withstand a maximum working pressure of 3 kilogram/square centimetre (kg/sq.cm) and field test pressure of 10 kg/sq.cm. The contracts provided for supplying and laying class K9 Ductile Iron spun pipes (DI pipes) of 100 millimetre(mm) to 1000 mm diameter for

a total length of 699 kilometre. The works, scheduled for completion in 36 months, were under progress and Rs 153.57 crore was spent as of March 2001.

According to Indian Standard Specification for "Centrifugally Cast (spun) Ductile Iron Pressure pipes for Water, Gas and Sewage" class K7 DI pipes would withstand maximum working pressure of 6 kg/sq.cm and field test pressure of 12 to 24 kg/sq.cm depending on the size of the pipe. Therefore K7 pipes would be suitable for the work. When the reasons for providing class K9 pipes which could withstand higher pressure than required were called for by Audit, the Superintending Engineer, Third Chennai Project of the Board stated (May 2000) that class K9 DI pipes were readily available in the market and for other classes orders had to be placed specifically. This contention was not tenable as the pipes were to be purchased by the contractor for use after digging trenches and hence class K7 pipes could have been purchased in a phased manner with proper planning. The failure of the Engineering Director of the Board in not designing the pipeline with the correct class of DI pipes had resulted in extra liability of Rs 16.95 crore.

The matter was referred to Government in June 2001; reply had not been received (September 2001).

6.11 Unintended benefit to the contractor

The Board extended undue benefit of Rs 7.42 crore to the contractor by allowing him to use cheap filling material instead of sea sand to fill trenches in the Leak Detection and Rectification works.

Chennai Metropolitan Water Supply and Sewerage Board (Board) entrusted (March 1999) the Leak Detection and Rectification works to Larsen and Toubro Limited at a cost of Rs 82.91 crore. The work, commenced in July 1999, was in progress and an expenditure of Rs 80.97 crore was incurred till August 2001.

As the work consisted of various sub-works like earthwork excavation, replacement of pipes, refilling the trenches with sea sand as per the Code of Conduct of Chennai Corporation, disposal of surplus earth, barricading, etc., the agreement provided for measuring only the finished items of work and making payment on unit rate basis. Due to non-availability of required quantity of sea sand at the approved site, the contractor sought (January 2000) permission for refilling of trenches with pit or filling sand or quarry dust. On the ground that the Schedule of Rates for filling sand for foundation/basement was higher than the rate for filling sea sand in pipe-laying works and that there would be no extra cost to the Board, the Chief Engineer, Construction recommended and the Managing Director of the Board agreed to the contractor's request.

It was seen from the invoices produced by the Board that the contractor had purchased 6.63 lakh cu.m of pit/filling sand from private agencies at Rs 38.59 per cu.m. After allowing labour for filling and tender excess, the rate for filling the trenches with pit/filling sand would work out to Rs 48.25 per cu.m. as against the rate of Rs 160.16 per cu.m allowed and paid to the contractor for filling with sea sand. Though the Board was aware that the contractor used cheaper filling material, it did not revise the unit rate for the items of work involving sea sand, but paid at the higher and agreed rate, resulting in unintended benefit of Rs 7.42 crore to the contractor.

When the matter was reported, the Finance Director of the Board stated that since the rates quoted were on unit rate basis, the rates for sub-work were

not known for comparing it with departmental rate. The contention was not tenable as the Board allowed substitution of filling material and hence should have executed supplementary agreement, revising the unit rate based on the correct rate of pit/filling sand.

The matter was referred to Government in June 2001; reply had not been received (September 2001).

6.12 Excess payment of road cut restoration charges

Payment of road cut restoration charges to the Corporation of Chennai at uniform rates for all the three zones resulted in excess payment of Rs 82.66 lakh besides avoidable interest liability of Rs 89.34 lakh on advance payment

The "Code of conduct for public utilities for better road maintenance in Chennai city" issued by Corporation of Chennai (Corporation) contemplated that the Chennai Metropolitan Water Supply and Sewerage Board (Board) should submit their advance programme for laying service utilities indicating where it was proposed to cut the road at the beginning of the financial year to the Corporation. Advance payment of road cut restoration charges was to be made by the Board to the Corporation before laying the service utilities.

The Board submitted (December 1998) the zone-wise programme for 'Leak detection and rectification' work spread over a period of 3 years commencing from March 1999 and requested the Corporation to send the estimate for road cut restoration charges for 1999-2000. In order to exhaust the budget, the Board requested (January 1999) the Corporation to send estimates for 2000-2002 also to enable the Board to make payment in one lumpsum. Though the rates for North, Central and South Zones were Rs 292, Rs 301 and Rs 309 per square metre (sq.m) respectively, the Corporation claimed a uniform rate of Rs 309 per sq.m. The Senior Manager (Leak Detection Wing), without verifying the correctness of the rate, made an advance payment of Rs 30.14 crore (February and March 1999) for three financial years. The payment at uniform higher rate of Rs 309 per sq.m for all the three zones resulted in excess payment of Rs 82.66 lakh as under:

Zone	Area (in Sq.m)	Rate admissible Rs	Rate adopted Rs	Excess Rate Rs	Excess payment (Rupees in lakh)
North	354783	292	309	17	60.31
Central	279304	301	309	8	22.35
South	341164	309	309	NIL	NIL
Total					82.66

As the project was funded by World Bank and interest at 13.5 *per cent* per annum was payable by the Board to Government, the advance payment of Rs 20.34 crore in March 1999 itself, for works proposed to be taken up during 2000-2001 (Rs 8.79 crore) and 2001-2002 (Rs 11.55 crore) resulted in avoidable interest burden of Rs 4.30 crore.

On this being pointed out (May 2001), Government replied in August 2001 that in accordance with the code of conduct, the amount was paid in advance to get the road cut permission well ahead and by paying the amount in advance for three years, there was saving to the Board. Government also stated that the restoration charges were paid at uniform rate as claimed by the Corporation and as the Board had no jurisdiction to verify the internal

workings of this rate, the question of payment of different rate for different zones did not arise. The contention of the Government was not tenable as the code of conduct contemplated only annual advance payment and even after considering the escalation of Rs 24 and Rs 73 per sq.m for 2000-2001 and 2001-2002, the additional interest burden would be Rs 89.34 lakh. Further, as the Board itself adopted different rates for different zones in their schedule of rates, it should have ascertained the rates for various zones from the Corporation before making payment.

6.13 Avoidable expenditure on unnecessary provision of sand-lime mix

Provision of sand-lime mix instead of sand resulted in avoidable expenditure of Rs 1.33 crore in the construction of nine Water Distribution Stations.

The Chennai Metropolitan Water Supply and Sewerage Board (Board) took up the construction of nine Water Distribution Stations in Chennai city during 1995-2000 at an estimated cost of Rs 114.46 crore. M/s Kirloskar Consultants Limited, to whom the preparation of plan and design was entrusted by the Board, appointed Geotechnical Consultants for foundation design. The Geotechnical Consultants recommended (i) pile foundation with a provision of 20 centimetre (cm) thick sand cushion below the cement concrete for construction of underground tanks, pumphouses and valve chambers in four works and (ii) raft foundations without sand cushion below the cement concrete for the other five works as the existing soil conditions provided hard strata for the foundations. Though no standard or technical specifications were available for providing sand-lime mix below cement concrete, M/s Kirloskar Consultants Limited recommended provision of 30 cm thick sand-lime mix layer below 15 cm cement concrete in all the nine works. No sand cushion was therefore provided in any work.

In reply to an Audit query, the Board stated that sand-lime mix below cement concrete was provided to ensure firm layer to avoid development of cracks. However, M/s. Kirloskar Consultants Limited stated that since it was the standard practice of the Board, they have recommended provision of sand-lime mix and it would provide firm layer for raft. This contention was not tenable as the "Code of practice for design and construction of pile foundations" prescribed by Indian Standards Institution and the Tamil Nadu Building Practice Code prescribed provision of only a layer of cement concrete to act as a firm base for raft and the Board had provided 15 cm thick cement concrete below the foundation to act as firm layer in all the nine works. To an audit query, the Board stated that a sand layer below the cement concrete would provide an even hard surface for avoiding cracks to the cement concrete during the curing period. As such a sand layer as recommended by the Consultants would have provided the required firm layer below the cement concrete and there was no necessity to substitute it with sand-lime mix layer. Had sand layer been provided instead of sand-lime mix, an extra expenditure of Rs 1.33 crore could have been avoided.

The matter was referred to Government in June 2001; Government stated (August 2001) that though sand has the capacity of self compaction to provide an even surface, it would be very difficult to obtain a firm layer of sand below water table; as the water table in the site were higher, sand-lime mix was used as a base for cement concrete. This contention of the Government was not supported by any technical authority. According to the principles of Soil Mechanics and Foundation Engineering, the bearing capacity failure of rafts of large width on sand is practically ruled out and

sand could be used even below the water table. Further, a firm layer of sand-lime mix on clay soil which was found in four sites would result in development of cracks in that layer itself. The principles of Soil Mechanics suggest mixing of lime only with soils having expansive nature, to reduce that property.

6.14 Extra expenditure on road cut restoration charges

Payment of road cut restoration charges to Ambattur Municipality without checking the correctness of the claim resulted in extra expenditure of Rs 32.32 lakh.

The Chennai Metropolitan Water Supply and Sewerage Board (Board) took up the work of replacing the existing water main with cast iron pipes in Mogappair and Anna Nagar West Extension Area during 1998-99. The work involved excavation by cutting the existing road for a length of 85.11 kilometre and filling the trenches after laying the pipe with earth upto a level of 15 centimetre (cm) above the pipe and with sea sand over it upto the level of 30 cm below the road surface level. The Board was to pay road cut restoration charges to Ambattur Municipality (Municipality) for relaying the road for a thickness of 30 cm left unfilled by the Board. The Board divided the work into five reaches and sought permission of the Municipality for cutting the road surface.

In November 1998, the Municipality estimated the road cutting charges for one reach at Rs 377.76 per square metre (sq.m). As the estimate included items which were to be done by the Board (earth excavation and sand filling) and also included relaying of road for a thickness of 50 cm instead of 30 cm, the Board requested (December 1998) for a revised estimate. The Municipality instead claimed (March 1999) restoration charges at Rs 309 per sq.m, on the basis of the rate adopted by Chennai Corporation for restoration works, for the total area of 64642 sq.m. The Board accepted the claim and paid the amount of Rs.2 crore in March 1999.

It was seen that the rate of Rs 309 per sq.m adopted by the Chennai Corporation was for restoring the road surface for a thickness of 37.5 cm with a specification different from that adopted by the Municipality in its estimate. The rate for restoration, adopting the specification of Ambattur Municipality for a thickness of 30 cm was only Rs 259 per sq.m. (*vide* Appendix XLII). Thus the failure of the Board in not checking the claim preferred by the Municipality had resulted in avoidable extra expenditure of Rs 32.32 lakh.

The matter was referred to Government in April 2001; reply had not been received (September 2001).

6.15 Extra expenditure due to utilisation of larger size pipes

Usage of larger size pipes in the work of providing water supply to Alandur Municipality in order to exhaust the pipes unnecessarily purchased for Mambalam Canal Project had resulted in extra expenditure of Rs 32.19 lakh.

To prevent sewage flow into waterways, Government approved (October 1997) the Mambalam Canal Project which provided for

construction of intercepting sewers to receive the flow in the storm water drains and pump it to nearby sewage pumping station. The Chennai Metropolitan Water Supply and Sewerage Board (Board), the implementing agency, proposed to use 250 millimetre (mm) to 750 mm diameter (dia) cast iron pipes for the project, depending on the flow of rain water as well as the sewage into the canal.

In January 1998, the flow in the storm water drains was found to be considerably reduced and the Board decided to reconsider the design of the pipeline. On 21 April 1998, the Board also decided to revise the design for the project to avoid laying of forcemains across Anna Salai and Railway line. The Planning and Design Wing of the Board which was aware of the revision of design, did not withdraw the indents placed in February 1998 based on the original design which included 750 mm dia pipes. Consequently, the Material wing placed orders on 29 April 1998 for purchase of pipes including pipes of diameter 750 mm based on the original indent. The pipes were received between May and August 1998. As per the modified design approved by the Board in September 1998, pipes of 250 mm to 600 mm dia only were required for the project. Hence 2500 metres (m) of 750 mm dia pipes purchased for the project became surplus.

In April 1999, the Board placed orders for the purchase of 600 mm dia pipes for use in the scheme of extension of water supply to Alandur Municipality. The work was taken up in May 1999 for completion in six months. Pending receipt of 600 mm dia pipes, the Board decided (June 1999) to use the 750 mm dia pipes purchased for Mambalam Canal Project, as the same were not likely to be used for any other scheme in the near future. Accordingly a portion of work was executed using 1428 m of 750 mm dia pipes and the supply order for 600 mm dia pipes was amended suitably. The remaining 750 mm dia pipes were utilised in other works. Thus, the unnecessary purchase of 750 mm dia pipes for the Mambalam Canal Project resulted in the use of larger size pipes for water supply to Alandur Municipality and consequent extra expenditure of Rs 32.19 lakh.

The matter was reported to Government in June 2001; reply had not been received (September 2001).

CORPORATION OF CHENNAI

6.16 Extra committed liability on GPF interest to Chennai Corporation

Non-remittance of GPF recoveries in Reserve Bank of India account resulted in extra committed liability of Rs 14.09 crore to Chennai Corporation.

According to the provisions contained in Accounts Manual of Chennai Corporation it should remit every month the GPF subscription and GPF advance recovered from the salary of staff to the Personal Deposit (PD) account of the Corporation included in the Public Account of Government of Tamil Nadu. The PD account is titled "GPF Deposit of Corporation of

Chennai” and is interest bearing. The account is maintained by the Pay and Accounts Officer (PAO) (North), Chennai.

Based on the monthly closing balances intimated by Corporation of Chennai and the Reconciliation Certificate issued by PAO (North) Chennai, Director, Local Fund Audit Department sanctions interest on the cumulative monthly closing balance, for payment to the Corporation of Chennai.

It was seen from the records of Chennai Corporation for the period from April 1995 to January 2001 that the amount recovered from its employees towards GPF subscription and GPF advances were deposited in the PD account with a delay ranging from 1 month to 25 months. Further, Rs 58.20 crore recovered from the employees of the Corporation towards GPF subscription and GPF advances for the period from April 1998 to January 2001 was still to be remitted into the PD account as of July 2001. The Commissioner stated (July 2001) that the remittance could not be made due to difficult ways and means position coupled with the heavy amount of Pay Commission arrears to be deposited in GPF account.

As per the details worked out by Audit, the belated remittance of GPF subscription and recovery of advances of Rs 32.45 crore and non-remittance of Rs 58.20 crore to the PD account of the Corporation of Chennai during April 1995 to January 2001 resulted in a loss of interest of Rs 14.09 crore. Since the interest due to the subscribers was credited to the individual PF accounts every year, the loss of Rs 14.09 crore had eventually to be met out of General Funds of Chennai Corporation.

Further, the annual accounts of the Corporation did not reflect the GPF balances at all, nor the interest income earned on the deposits of GPF subscriptions in the PD account.

The matter was referred to Government in June 2001; reply had not been received (September 2001).

6.17 Under-assessment of property tax payable by Chennai Port Trust

Commissioner of Chennai Corporation failed to ascertain annual additions and alterations to the properties of Chennai Port Trust and also incorrectly assessed it as Government property which resulted in under-assessment of property tax to the tune of Rs 4.24 crore.

According to the Madras City Municipal Corporation Act, 1919 (MCMC Act) property tax was leviable on all buildings and lands at a percentage of their annual value. Property tax leviable for properties exceeding annual value of Rs 5000 was 11.95 *per cent* per half year since the first half year 1993. In the case of any building not ordinarily let, the annual value of which cannot be estimated, it shall be determined to be six *per cent* of the total of the estimated market value of the land at the time of assessment and the estimated cost of erecting the building at such time after deducting for depreciation not less than 10 *per cent* of such cost.

Scrutiny of records in Chennai Corporation (CC) revealed that the tax levied in respect of the properties of Chennai Port Trust (CPT) for the period 1995-96 to 1998-99 was Rs 24.75 lakh per half year. Although there had been a general revision of property tax in April 1993 and in October

1998, it was not applied to property tax of CPT, as the Commissioner of CC included the properties of CPT in 'Government property list' as belonging to State Government. In fact, CPT was a Corporation established under an Act of Parliament. Though the properties of the Central Government are exempted, such properties are liable to pay service charges for the services rendered by the Local Bodies. Based on the recommendations (February 2000) of a committee constituted for revision of the service charges of State/Central Government properties, 100 *per cent* increase in annual value of property was applied and property tax of Rs 45.34 lakh per half year was arrived at with effect from October 1998. Demand for payment of Rs 63.66 lakh (after assessing the annual value as Rs 379.47 lakh) as arrears for 3 half years ending 1999-2000 was sent by the Revenue Officer of the Corporation to Chairman, CPT in March 2000.

The Commissioner of CC wrongly classified CPT property as Government property and also failed to ascertain the number of new buildings constructed or additions and alterations carried out by CPT annually. Based on the value of land and building reflected in the Annual accounts of the CPT, and adopting annual value of 6 *per cent* of the value of the property as per the prevailing Act in force, tax payable for the period 1995-96 to 1999-2000 works out to Rs 691.17 lakh. The property tax actually levied including the arrears of Rs 63.66 lakh demanded in March 2000, was Rs 266.69 lakh. Thus, there was an under-assessment of at least Rs 4.24 crore for this period.

Government replied (June 2001) that exact details of additions/deletions of buildings would be ascertained from Chennai Port Trust. However, property tax demand upto 1999-2000 has been raised by the Commissioner based on the Audit observation, and the CPT has referred the matter to their legal department.

6.18 Accumulation of unutilised loan and avoidable interest liability

Failure of the Commissioner of Chennai Corporation to restrict the drawal of loan instalments according to the requirement resulted in accumulation of unutilised loan amount and consequent interest liability.

Commissioner, Corporation of Chennai (COC) proposed to construct nine mini flyovers in 1998-99 at an estimated cost of Rs 94.50 crore with a view to ease traffic congestion. Government of Tamil Nadu issued necessary administrative sanction for the works in December 1998. Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) agreed to extend a loan assistance of 90 *per cent* of the total cost of flyover (40 *per cent* from TUFIDCO funds at an interest rate of 15 *per cent* per annum and 50 *per cent* from Mega City Programme at an interest rate of 5 *per cent* per annum). The remaining 10 *per cent* was to be met by COC. For this purpose, Commissioner, COC entered into an agreement with TUFIDCO for each mini-flyover separately which included separate time schedules for loan disbursement and repayment. Interest was payable from the date of drawal of each instalment of loan.

As of June 2001, COC had drawn a loan of Rs 63.39 crore and incurred an expenditure of Rs 58.63 crore. Construction of these flyovers commenced in March 1999 and May 1999 and was completed between January 2000

and November 2000. Completion reports for these works are yet to be prepared and the final cost was yet to be compiled. A perusal of connected records on utilisation of loans in Chennai Corporation revealed the following.

(a) According to the agreement, further instalment of loan could be drawn only after submission of certificate of utilisation of the earlier instalment. Audit noticed that further loans from TUFIDCO were drawn without utilising the earlier instalments of loan. This had resulted in accumulation of unutilised loan (Appendix XLIII), which ranged between Rs 2.52 crore to Rs 15.29 crore during the period March 1999 to June 2001. This clearly indicated lack of correct assessment of funds required each month.

(b) Out of the unutilised accumulation, Rs 6 crore was invested (September 2000) as per the orders of the Commissioner, COC in short term Fixed Deposits for a period of 91 days, in Canara Bank with a view to availing loans against the fixed deposit for meeting the annuity repayment of loans obtained for various other purposes from Madras Urban Development Fund and Housing and Urban Development Corporation. As per the conditions of the agreement, such investment would attract recall of loan with interest at 18 *per cent* as such investments were considered as unauthorised utilisation/diversion of funds. The fact that such investments were made clearly showed that the unutilised loan amounts were not immediately required for the purpose for which it was drawn.

Thus the failure of the Commissioner, COC to restrict the drawal of loan instalment to actual requirement led to accumulation of unutilised loan amounts and avoidable interest liability of Rs 1.43 crore . The Superintending Engineer (SE) (Bridges) stated (June 2001) that the loan instalments were drawn in anticipation of payment to contractors and the accumulation of unutilised loan amounts was due to administrative delays. Reply of the SE was not tenable. As per the agreement, unutilised loan was to be refunded to TUFIDCO within sixty days from the date of disbursement, failing which it would attract interest at the rate of 18 *per cent* or such other higher rates as may be fixed by TUFIDCO.

The matter was referred to Government in August 2001; reply had not been received (September 2001).

6.19 Non-levy of Company Tax

Demands were not raised on the Cooperative societies for levy of company tax as contemplated in the Act; consequently no tax was levied on atleast 237 cooperative societies in the city and the uncollected tax revenue for the period 1993-2001 was of the order of Rs 32.04 lakh.

As empowered under Section 110 of the Madras City Municipal Corporation Act, 1919, the Chennai Corporation levies tax on companies, which transact business within the city in any half year for not less than 60 days in the aggregate. Cooperative Societies registered or deemed to have been registered under the Tamil Nadu Cooperative Societies Act, 1932 and the paid up capital of which is less than fifty thousand rupees are also covered within the definition of companies, under this section. The company tax leviable ranged from Rs 100 to Rs 1000 per half year

depending on the paid up capital of the company (with effect from 1 April 1993).

Test check of records of Chennai Corporation relating to levy of company tax on Cooperative Societies carrying on business within the city revealed that there was no proper system to enumerate the taxable Cooperative Societies and to send demand notices. A meagre amount of Rs 16,000 only was collected from five Cooperative Societies towards company tax during the period 1998-99 to 2000-01.

Information on Cooperative institutions obtained from offices of Assistant Directors of Cooperative Audit in Chennai disclosed that company tax was not demanded from atleast 237 Cooperative Societies functioning in the city. The tax leviable on these Societies during the period 1993-2001 alone, based on their share capital, was of the order of Rs 32.04 lakh. Thus the Corporation had failed to conduct a proper survey and enumeration of the Cooperative Societies in the city, resulting in non-levy/collection of company tax due.

The matter was referred to Government in August 2001; reply had not been received (September 2001).

**MUNICIPAL ADMINISTRATION AND WATER SUPPLY
DEPARTMENT
TAMIL NADU WATER SUPPLY AND DRAINAGE
BOARD**

6.20 Rural Water Supply Programme

The annual accounts of Tamil Nadu Water Supply and Drainage Board did not directly reveal the expenditure incurred under various Rural Water Supply Programmes. Though all the habitations were stated to have been covered, the re-survey conducted in the year 1999 revealed the existence of 8782 uncovered habitations. The quality of water was very poor in eight districts. No funds were earmarked for operation and maintenance.

In order to provide safe and potable drinking water in identified problem villages where 40 litres per capita per day (lpcd) of potable water was not available and to solve problems of excess salinity, fluoride and iron content and to arrest the re-emergence of uncovered habitations, the Tamil Nadu Water Supply and Drainage Board (Board) implemented Rajiv Gandhi National Drinking Water Mission, launched by Government of India (GOI). The various components of the Mission implemented by the Board, their objectives and pattern of assistance are given in Appendix XLIV. The review of the implementation of these components, in 9 out of 28 districts, revealed the following deficiencies.

The details of funds received, reported as spent in the periodical returns and expenditure as per annual accounts as worked out by the Board are as under:

(Rupees in crore)

Name of the component	GOI release 1997-2001	State Government release 1997-2001	Expenditure reported in periodical returns 1997-2001	Expenditure worked out as per annual accounts 1997-2001
Accelerated Rural Water Supply Programme (ARWSP)	326.28	NIL	493.90	379.45
Sector Reform	44.88	NIL	NIL	NIL
Sub-Mission	8.47	27.63	75.17	135.86
Information, Education and Communication	NIL	NIL	0.65	A
Human Resource Development	1.87	NIL	1.63	1.15 ^B
Monitoring and Investigation units	0.40	NIL	1.39	A
Total	381.90	27.63	572.74	

A: Not identifiable in accounts

B: Relates to training programmes - identifiable in accounts

(i) The Annual Accounts did not reveal the admissible expenditure incurred under various programmes and the Board had not maintained any subsidiary register showing receipt of funds for the schemes, admissible expenditure and the balance carried over to next year. Consequent to an audit query, the Board arrived at the expenditure on certain components from the annual accounts which differed widely from the expenditure reported to GOI in the periodical returns. Thus, the Board had not maintained proper accounts and audit could not find out the actual admissible expenditure for which grants were received.

(ii) The Board treated material purchased for ARWSP as the expenditure during the year of purchase. From 1999-2000, materials for ARWSP were to be purchased by the contractor. As such, materials valuing Rs 7.08 crore available as closing balance under ARWSP as of March 1999, were not withdrawn from ARWSP account even as of March 2001. Besides, Rs 15.63 crore already incurred under other Rural Water Supply (RWS) schemes funded by State Government were transferred as expenditure under ARWSP for 1998-99.

(iii) According to GOI guidelines, ARWSP funds should not be utilised in districts selected under Sector Reforms Pilot Project, for which separate funds were provided. However, the Board took up 19 works at a cost of Rs 1.20 crore during 2000-2001 in Cuddalore District where funds were released for the Sector Reforms Pilot Project by GOI.

(iv) The guidelines of ARWSP defined Not Covered (NC)/No Safe Source (NSS) habitations as those where no drinking water source exists within 1.6 km in plains (100 metres in hill areas), where the quantum of availability of safe water was below 10 lpcd and where the existing sources were affected with quality problems. The guidelines categorise the habitations with 10 lpcd to 40 lpcd of safe source as Partially Covered (PC) and above 40 lpcd as Fully Covered (FC). The Board claimed that there were no NC habitations and only 17002 PC habitations as of April 1999. However, the re-survey conducted in the year 1999 revealed existence of 8782 NC habitations and 34151 PC habitations. Re-emergence of 8782 NC and 17149 PC habitations was mainly due to depletion of ground water level.

(v) Although there were 17002 PC habitations, State Government took policy decision (March 1999) to enhance the norms for service level to rural habitations from 40 lpcd to 55 lpcd and all works taken up during 1999-2000 and 2000-2001 were designed for a service level of 55 lpcd. As GOI norms for ARWSP was 40 lpcd only, there was excess expenditure of Rs 3.26 crore (proportionate cost) in respect of 244 habitations in 3 districts.

(vi) GOI stipulated that the selection of schemes was to be done by a State Level Selection Committee (SLSC) and NC/NSS habitations were to be given priority over PC habitations. Though the SLSC was constituted in March 1996, the Managing Director of the Board had not obtained its approval for the schemes executed during 1996-97 to 2000-2001. Alternatively, the schemes were selected by the executing divisions based on representations received from public, people's representatives, areas with acute scarcity of water and list of schemes recommended by the District Collector. This resulted in poor achievement of targets during 1997-2001 in respect of priority habitations as under:

	NSS habitations	NC habitations	PC habitations
Target	1350	11234	10216
Achievement	849	9576	14997

Besides, due to increase in norms for service level, the Board treated habitations with a service level of 40 to 55 lpcd as PC habitations and 790 such habitations in 24 districts were taken up during 1999-2001 for increasing service level at the cost of NSS and NC habitations.

(vii) Test-check revealed that 316 sources created in 6 districts during 1997-2001 at a cost of Rs 1.24 crore under various RWS Schemes had less yield than required and were proposed to be handed over to local bodies to bring them into operation by providing hand pumps.

(viii) Based on the directions of GOI in March 2000, the Board took up the testing of water samples from 22833 out of 1.81 lakh hand pump sources and all the 36481 power pump sources in the State. It was found that water samples from 8088 (35.4 per cent) hand pump sources and 6574 (18 per cent) power pump sources were non-potable. Seventy two of the 6574 power pump schemes were implemented after March 1996 at a total cost of Rs 3.44 crore in 3 districts. Further, the test of water samples also revealed that Dharmapuri, Erode and Salem districts were affected by high fluoride, Ramanathapuram district was affected by high salinity and Kanyakumari, Thiruvallur, Thanjavur and Theni districts had high incidence of iron. The Board had taken action to install 40 desalination plants in Ramanathapuram district and implemented four projects in fluoride-affected districts. However, no action was proposed to tackle the problem of high iron content in water.

(ix) The Board installed one desalination plant at Narippaiyur in Ramanathapuram district at a cost of Rs 36.41 crore in July 1999. However, the Board failed to analyse the necessity of post treatment of desalinated water and laid MS pipes for distribution which were unsuitable for this project resulting in corrosion of pipes and colouration of treated water in the distribution outlet. The Central Electrochemical Research Institute, Karaikudi, recommended (April 2000) installation of remineralisation tower to treat the desalinated water and replacement of MS pipes with PVC pipes. Accordingly, the Board decided (February 2001) to utilise only PVC pipes for Phase II which was under progress. However, the remineralisation tower has not been constructed and the desalinated water was temporarily treated by adding minerals to remove the colouration and make it potable.

(x) Though ARWSP guidelines provided for earmarking 10 *per cent* of the funds (15 *per cent* from April 1999) for operation and maintenance, no funds were earmarked for this purpose to be used by the Director of Rural Development for allotment to local bodies for maintenance of completed schemes. Consequently, the completed schemes were maintained by the local bodies utilising their own funds. Eventhough GOI released Rs 32.63 lakh in 1994-95 for Human Resource Development, the Board took up the programmes only in 1997-98. In all, the Board trained 11461 persons (September 2000) at grass root (village) level which was not adequate to maintain the assets created. The poor maintenance contributed to reemergence of problem villages.

Thus, the Board had not implemented the scheme as per the guidelines issued by GOI and concentrated on creating new sources without ensuring the sustainability of systems created, resulting in reemergence of problem villages.

The matter was referred to Government in July 2001; reply had not been received (September 2001).

6.21 Accelerated Urban Water Supply Programme

Eventhough funds were released by Government of India from 1993-94, only 17 out of 34 schemes were completed, of which 3 were not put to use due to poor quality of water and creation of insufficient source. Though an amount of Rs 16.93 crore was released by Government of India till March 2001, yet Government of Tamil Nadu released only Rs 8.20 crore to Tamil Nadu Water Supply and Drainage Board. There was also delay in execution of two schemes due to delay in foreclosure of contract and unsuitability of the site for source creation.

With a view to provide safe and adequate drinking water supply to towns having population of less than 20,000 and to improve their environment and quality of life, Tamil Nadu Water Supply and Drainage Board (Board) implemented Accelerated Urban Water Supply Programme (AUWSP) from 1993-94 with 50 *per cent* grant by Government of India (GOI), 45 *per cent* grant by Government of Tamil Nadu (GOTN) and 5 *per cent* contribution from local bodies. The excess over the approved project cost was to be met by GOTN. As of March 2001, GOI approved 34 schemes at a total cost of Rs 44.60 crore, of which 17 were completed and 14 were handed over to the local bodies for maintenance. The review of the implementation of AUWSP in 5 Divisions of the Board (16 Schemes) revealed the following.

(i) As of March 2001, GOI released Rs 16.93 crore to GOTN. However, State Government released only Rs 8.20 crore to the Board besides its own share of Rs 17.57 crore. In addition, the Board collected Rs 34.33 lakh as contribution from eight local bodies as against Rs 2.23 crore due from 34 local bodies. As of March 2001, the Board spent Rs 19.99 crore only. However, the Board reported an expenditure of Rs 25.77 crore in the periodical return to GOI, but furnished utilisation certificate for Rs 16.93 crore to GOI.

(ii) Though the GOI allotted Rs 99.59 lakh to GOTN for the year 1994-95, it was not released, as the Board failed to send the proposals.

(iii) The Board incurred Rs 1.97 crore in excess of the approved cost in respect of 13 completed schemes, but GOTN released (March 2001) only Rs 77.74 lakh. In respect of 4 completed schemes, the Board incurred less expenditure than the approved cost, but failed to refund the unutilised central share of Rs 33.59 lakh to GOI.

(iv) The Executive Engineer (EE), Rural Water Supply (RWS) Division, Dharmapuri deposited Rs 50 lakh with Public Works Department (PWD) in March 1997 for creation of source for Harur scheme though there was litigation from April 1996. The litigation was settled in October 2000, but the PWD had not even prepared the estimates as of March 2001. The unnecessary deposit resulted in blocking of funds for more than four years.

(v) Eight schemes¹ were sanctioned under State Sector and Rs 7.40 crore was obtained as loan from LIC and grant from GOTN. These schemes were also got approved by GOI under AUWSP and GOI released its share of Rs 6.13 crore. Consequently, the loan and grant of Rs 7.40 crore was treated as State share of AUWSP in February 2001. Selection of the same schemes under two programmes was injudicious.

(vi) The Board selected (January 1995 to April 1999) six schemes² which formed part of Combined Water Supply Schemes (CWSS) taken up under State Sector and obtained approval of GOI. As the benefit to the six town panchayats would accrue only after completion of the remaining portion of CWSS under State Sector, selection of the schemes under AUWSP was injudicious.

(vii) There was avoidable delay in execution of Cheyyur and Vengathur schemes. Though the construction of open well for Cheyyur scheme awarded to a contractor in October 1994 was inordinately delayed, the EE, RWS Division, Kancheepuram foreclosed the contract only in September 1997 resulting in delay in the allied work and completion of the scheme only in May 1999. Similarly, the source creation work for Vengathur Scheme, sanctioned by GOI in January 1995, was delayed till April 1999 due to frequent change of selected site and non availability of departmental rig. This resulted in belated commencement of the allied work and completion of the scheme in January 2001.

(viii) Although all sources in and around Ayyampettai panchayat (Kancheepuram District) were not potable due to infiltration of the contaminated water from adjoining dye factory waste, the Assistant Hydro-Geologist, RWS Division, Kancheepuram recommended construction of infiltration well in the area, without testing the water sample of this source for Ayyampettai scheme. After the well and pumping station were constructed at a cost of Rs 6 lakh, this source was found to be polluted and hence abandoned. Subsequently, the scheme was merged with CWSS to Muthialpet and the borewells created under the scheme were reserved as a source for CWSS.

(ix) Due to poor investigation of Denkanikottai Scheme, the digging of 3 open wells was abandoned midway on account of soil conditions (April 1996) resulting in less yield of 860 litre per minute (lpm) against the required yield of 2100 lpm. The scheme was completed in March 1999 at a

¹ Nattarasankottai, Ponnamaravathy, Thirubuvanam, Sathankulam, Udangudi, Mettupalayam, Thathayangarpet and Poovalur.

² Veerakalpudur, Sathankulam, Udangudi, Mettupalayam, Thathayangarpet, and Chithode

cost of Rs 1.66 crore, but the local body refused to take over the scheme for maintenance due to the low yield, thus defeating its objective.

(x) Though two infiltration wells with an yield of 450 lpm each were constructed for Kaveripattinam Scheme to meet the requirement of 860 lpm of water, one well was transferred to another State Sector Scheme and the Kaveripattinam Scheme was completed utilising only one well as source in June 2000 at a cost of Rs 65.37 lakh. As the current yield from this well was only 520 lpm, the local body refused to take over the scheme, thus defeating the objective of the scheme.

Thus, out of 16 schemes test-checked, there was avoidable delay in the execution of 2 schemes and 3 completed schemes did not serve the objective due to poor planning and design.

The matter was referred to Government in July 2001; reply had not been received (September 2001).