

## PRESS RELEASE

### COMPTROLLER AND AUDITOR GENERAL OF INDIA

New Delhi

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#### **CAG's Audit Report on 'Role of Tea Board India in development of tea in India' Presented in Parliament**

The Performance Audit Report No. 8 of 2023 of the Comptroller and Auditor General of India on 'Role of Tea Board India in development of tea in India' was presented in the Parliament here today.

Tea Board India was established on 1 April 1954 as per the provisions of Section 4 of the Tea Act, 1953. The Board is assigned with the overall development of tea industry in India and is functioning under the administrative control of the Ministry of Commerce and Industry. Tea Board is funded through Grants-in-Aid by the Government of India and all funds available to the Board are routed through the Union Budget which are utilised as envisaged in Section 10 of the Tea Act. It also generates a meagre amount from Internal Extra Budgetary Resource.

The Performance Audit was conducted during November 2021 and April 2022 covering the period from 2016-17 to 2020-21.

Previously, a Performance Audit on "Role of Tea Board in Tea development in India" was taken up by the Comptroller and Auditor General of India during 2008 to 2010, which had been printed vide Report No.10 of 2011-12. This Report was also discussed by the Public Accounts Committee. The Committee brought out its recommendation in its 65<sup>th</sup> Report (February 2013) and actions taken by the Government on the observations/ recommendations of the Public Accounts Committee in its 100<sup>th</sup> Report (February 2014).

During the current audit, actions taken by Tea Board India on the recommendations made in Report No. 10 of 2011-12 and Report of the Public Accounts Committee were also examined.

#### **Significant Audit findings**

##### **Regulatory Activities**

Small tea growers contributed towards more than 50 *per cent* of total tea production in 2020-21. However, in absence of a well-defined strategy for identification and registration of the small tea growers, 38 *per cent* of small tea growers were not registered as of March 2021 and were out of the ambit of Tea Board's regulatory activities and developmental assistance. Similarly, 119 out of 1,573 big tea growers were not registered as of March 2021.

**(Para 3.2.1 and 3.2.2)**

Planting permits were granted to the small tea growers without necessary compliance as envisaged in Tea Rules, 1954. In 200 cases test-checked, Audit observed that soil testing reports, confirming

the suitability of the land for tea plantation had not been furnished and also, no inspection had been carried out by the officials of Tea Board for verifying the details submitted by small tea growers in the said cases. Survey maps denoting the planted area were not furnished in 196 cases.

**(Para 3.2.3)**

Although levy of fees for issuance of planting permits was approved by the Board (June 2017), non-collection of the same resulted in loss of revenue of ₹41.36 lakh. Due to delay in implementation of provisions of Goods and Services Tax (GST), Tea Board did not collect the same on licenses fees, which resulted in loss of revenue of ₹32.39 lakh to the Government exchequer.

**(Para 3.2.4 and 3.3.3)**

Further, though Tea Act, 1953 authorised Tea Board to inspect the quality of tea, factories were not adequately inspected during 2016-17 to 2020-21. The shortfall of inspection ranged between 78.62 *per cent* and 91.95 *per cent* which showed poor monitoring on part of Tea Board.

**(Para 3.4.1)**

Tea Board directed its officials to collect tea samples from the manufacturing units and send the same to the authorised laboratories for testing. The samples are to be tested, for quality assurance, once in six months, in line with Clause 12 of the Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011. However, Audit observed that there was a shortfall in sample collection ranging between 84 *per cent* and 97 *per cent* during the audit period indicating poor monitoring.

**(Para 3.4.2)**

As per Tea (Waste) Control Order 1959, all tea factories should declare a minimum of two *per cent* of their production as tea waste. However, 72 *per cent* to 78 *per cent* tea manufacturing units generated less than two *per cent* tea waste during the years 2018-19 to 2020-21. Further, there were instances where factories had not generated any tea waste.

**(Para 3.4.4)**

Tea Marketing Control (Amendment) Order, 2015 provides for constitution of Green Leaf Price Monitoring Committee in each tea growing district. The Committee is to monitor the average green leaf price payable to small tea growers. The Order stipulates requirement of holding one meeting in every month. However, in 10 out of 18 tea growing districts of Assam, not a single meeting was held during 2016-17 to 2020-21 and in the remaining eight districts, the number of meetings held in a year were less than four. Similarly, in five tea growing districts of West Bengal, the number of meetings held was less than two in a year during the period 2016-17 to 2020-21.

**(Para 3.5)**

Tea Marketing Control (Amendment) Order, 2015 stated that every registered tea manufacturer should sell, not less than 50 *per cent* of the total tea manufactured in a calendar year, through e-auction in India. But the minimum threshold limit of 50 *per cent* could not be achieved in any of the years covered under audit. Tea sold through e-auctions ranged between 42 *per cent* and 44 *per cent* of total tea produced in the country.

**(Para 3.6.2)**

### **Developmental Activities**

For formulation of policies and implementation of various subsidy schemes, Tea Board should have authentic database of tea industry which should be updated at regular intervals. However, Tea Board did not maintain database regarding areas of extensions of tea plantation, replacement & replanting of tea, age of tea bushes, district-wise yield, labour productivity rate, etc., on tea industry.

**(Para 4.3.3)**

The overall productivity of tea in India had decreased gradually over the years from 2,165 kg/ hectare in 2016-17 to 2,016 kg/ hectare in 2020-21. Productivity of big tea growers was much lower than small tea growers due to ageing of the tea bushes of the big tea growers. 46 *per cent* of total tea cultivation areas of big tea growers were not economically viable as the tea bushes were more than 40 years old and had been commercially unproductive.

**(Para 4.3.1 and 4.3.4)**

The schemes guidelines stipulate that no subsidy was to be disbursed in cases the applicant has Provident Fund dues of more than ₹10,000 at the time of application and disbursement of subsidy. Audit observed that Tea Board disbursed subsidy amounting to ₹12.87 crore without adhering to the above guidelines under various schemes *viz.*, Plantation Development Scheme, Quality Upgradation & Product Diversification Scheme and Orthodox and Green Tea Production Scheme.

**(Para 4.4.2.1, 4.5.2 and 4.5.4)**

Moreover, Government funds of ₹1.55 crore were lying in bank account of one beneficiary who could not set up a new factory within the time frame stipulated in scheme guidelines. However, no recovery was initiated by Tea Board. Further, Tea Board disbursed excess subsidy of ₹2.05 crore to 23 tea estates for creation of irrigation facilities for areas exceeding the approved limits as per scheme guidelines.

**(Para 4.4.2.1 and 4.4.3.2)**

Labour welfare activities are among the functions of Tea Board as mandated in the Tea Act 1953. However, limited allocation and inability to meet the financial targets envisaged under the Human Resource Development scheme resulted in unsatisfactory performance of the scheme.

Tea Board had been assigned with the responsibility to assist in implementation of the various labour welfare activities by the Labour Welfare Committee of the Board as per the Tea Act, 1953. Audit observed that only four meetings were held by Labour Welfare Committee during last five years ending March 2021. Thus, infrequent meetings of Labour Welfare Committee had an adverse impact on the monitoring and implementation of the labour welfare schemes.

**(Para 4.6.4)**

Planning Commission/ NITI Aayog directives provide for mandatory allocation of funds as 4.5 *per cent* for Scheduled Caste Sub Plan during 2016-17 which was increased to 8.3 *per cent* from 2017-18 onwards. However, Tea Board allocated only 3.29 *per cent* for Scheduled Caste Sub Plan scheme. Further, allocation towards Tribal Area Sub Plan scheme was only 2.63 *per cent* against mandatory allocation of 4.3 *per cent* during 2018-19 to 2020-21.

**(Para 4.7 and 4.8)**

Golaghat Regional Office under Guwahati Zonal Office of Tea Board disbursed subsidies under Scheduled Caste Sub Plan and Tribal Area Sub Plan schemes without proper inspection/ verification of the requisite documents, which indicated serious systemic lapses and resulted in many ineligible payments of subsidies.

**(Para 4.7.1 and 4.8.1)**

### **Research Activities**

The Research Directorate of Tea Board co-ordinates tea research in the country mainly through three Tea Research Institutes (TRIs) viz., two private TRIs namely Tea Research Association (TRA) for North-East India and United Planters' Association of Southern India–Tea Research Foundation (UPASI-TRF) for South India and Darjeeling Tea Research and Development Centre (DTR&DC) functioning under Tea Board for Darjeeling Tea Industry.

During the last five years ending March 2021, Tea Board disbursed 83.46 *per cent* research related funds (₹66.62 crore) to the two private TRIs viz., TRA and UPASI-TRF. Out of the ₹66.62 crore extended to private TRIs, only ₹4.63 crore (6.95 *per cent*) was utilised for research and remaining ₹61.99 crore (93.05 *per cent*) was used for administrative expenses.

Further, Tea Board did not conduct any audit of these private TRIs during period of audit. Moreover, although 80 *per cent* of the total expenditure of the two private TRIs was funded from the grants-in-aid by GoI, these are out of the purview of the Government audit.

**(Para 5.2)**

During XI and XII Plan periods, several research projects were sanctioned by Tea Board and awarded to TRIs, which were mainly aimed at basic and applied aspects of research for long term benefit of the tea industry. However, the research projects failed to deliver the desired and targeted results and transfer any deliverable for use of the tea industry, which indicated failure of Tea Board in the monitoring mechanism of research projects.

**(Para 5.3.1)**

Although DTR&DC was established to carry out research activities for the growth and improvement of the Darjeeling tea, due to non-disbursement of adequate fund and decrease of scientific manpower, DTR&DC was incapacitated to conduct research for the benefit of the Darjeeling tea industry fruitfully.

**(Para 5.3.2)**

The Parliamentary Standing Committee on Commerce in its 102<sup>nd</sup> Report laid in Parliament (August 2012) raised concerns over the challenges to the tea industry on account of climate change and recommended that the Department of Commerce should conduct research activities to address prolonged drought arising due to climate change. Though, the Department of Commerce in the Action Taken Report (August 2013) stated that Tea Board initiated action in this regard, Audit noticed that Tea Board did not take up any research activity/ project on climate change during XII Plan and Medium-Term Framework period.

**(Para 5.3.4)**

### **Market Promotion Activities**

Scheme guidelines advocated for advertising through established social networks for propagating the diversity and richness of Indian tea. But Tea Board's initiative for promotion of tea through social media platforms was grossly inconsistent and no major initiative for publicity through social media was taken during the reporting period.

**(Para 6.4.2)**

Tea Board provided financial assistance to tea exporters for tea exported through Inland Container Depot (ICD), Amingaon, Assam. However, despite assistance, export of tea through ICD Amingaon, in comparison to export from Kolkata Port, reduced from 14.37 *per cent* in 2016-17 to 7.97 *per cent* in 2020-21. In absence of any criteria for evaluation of the performance of the exporters in terms of export, the overall impact of the scheme/actual improvement of the export scenario of Indian tea could not be assessed.

**(Para 6.6.1)**

### **Financial Management and Internal Control**

Although General Financial Rules, 2017 advocates for the maximum generation of internal resources and eventually attainment of self-sufficiency, Tea Board was able to generate only 9.90 *per cent* of its total revenue from internal resources during 2016-17 to 2020-21, which showed that the Board was mostly dependent on Government grants to carry out its day-to-day activities.

**(Para 7.1)**

There was no internal audit manual for Tea Board and the Board did not prepare any audit plan for conducting internal audit. The coverage of internal audit was also inadequate as 12 out of 17 Regional Offices and all the 12 Sub-Regional Offices were not audited by the internal audit wing in last five years i.e. 2016-17 to 2020-21. Further, there was no sanctioned strength for internal audit wing and no permanent staff posted till October 2020. One permanent staff was deputed in November 2020 in internal audit wing and work of the internal audit wing was managed by nominating staff from other sections of Tea Board.

**(Para 7.3)**

Previously, a Performance Audit on "Role of Tea Board in Tea development in India" was printed vide Report No.10 of 2011-12. This Report was also discussed by the Public Accounts Committee (PAC) which brought out its recommendation in its 65<sup>th</sup> Report (15<sup>th</sup> Lok Sabha) and Action Taken Report on this report was brought out in 100<sup>th</sup> Report (15<sup>th</sup> Lok Sabha). The Committee observed that despite their earlier recommendations/ observations (1969-70 and 1987-88) to overcome lacunae, the Government have not been able to put in place the much-needed corrective mechanism. Audit reviewed actions taken by Tea Board on the recommendations made by Audit in earlier Performance Audit Report and the recommendations made by the Public Accounts Committee in their Report. Audit observed that adequate corrective actions on the recommendations, is yet to be taken by Tea Board India even after the lapse of considerable period of time.

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