

## CHAPTER-III

### COMPLIANCE AUDIT

#### Animal Husbandry, Dairying and Fisheries Department

#### 3.1 Implementation of Scheme of Free Distribution of Milch Cows

##### 3.1.1 Introduction

Government introduced a Scheme in July 2011 to distribute 60,000 Milch Cows (cows) free to poor women in rural areas over a period of five years from 2011-12. Under the Scheme, about 12,000 cows of Cross Bred Jersey/Cross Bred Holstein-Friesian breeds were to be distributed each year. The Scheme was prioritised in districts that were considered to be milk deficient and where the number of milk co-operative societies was less than the number of revenue villages<sup>25</sup>. The Scheme *inter alia* provided for payment of a lumpsum amount of ₹ 30,000 to a beneficiary towards purchase of Milch cow and an amount of ₹ 2,000 to ₹ 3,000 for transportation of the cow and other incidental expenditure<sup>26</sup>.

##### 3.1.2 Scope of audit

Audit was conducted to examine effectiveness in implementation of Scheme with reference to guidelines and instructions issued by Government from time to time. Records of the Secretariat, Directorate and Field Offices of Animal Husbandry, Dairying and Fisheries Department for the period from July 2011 to March 2013 were scrutinised. Out of 21 districts in which the Scheme was being implemented, five districts were selected on regional basis<sup>27</sup> and in them, 45 out of the 136 Village Panchayats (VPs) were selected on simple random basis for detailed study. For studying impact of the Scheme, field visits were carried out in 9<sup>28</sup> VPs and beneficiaries' feedback through questionnaire was obtained.

The Secretary to Government, Animal Husbandry, Dairying, and Fisheries Department is the administrative head of the Department. Directorate of Animal Husbandry and Veterinary Services is headed by Commissioner and assisted by Regional Joint Director of Animal Husbandry (RJD) at the District level. For implementation of the Scheme, each revenue division has an Assistant Director of Animal Husbandry (AD) assisted by Veterinary Assistant Surgeons (VAS).

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<sup>25</sup> A revenue village is a small administrative region in a district.

<sup>26</sup> Cost of conveyance to the beneficiaries, Insurance charges and Contingent charges

<sup>27</sup> 1) Namakkal, Western 2) Thoothukudi, Southern 3) Pudukkottai, Eastern  
4) Nagapattinam, Delta 5) Villupuram, Northern.

<sup>28</sup> 1) Aranthangi - Kulathur 2) Pudukkottai - Vadugapatti 3) Tindivanam - Nalmukkal  
4) Tirukoilur - Nerukunam 5) Villupuram - Ponnampoondi 6) Mayiladuthurai -  
Edakudi 7) Namakkal - Gundaninadu 8) Kovilpatti - Sengottai 9) Tuticorin -  
K. Appankoil

### 3.1.3 Planning and Execution

Government formulated the Scheme with the objective of giving a boost to milk productivity of the State and also empowering women in rural areas. During the period of audit (2011-12 to 2012-13), Department procured 24,000 cows incurring an expenditure of ₹ 84.28 crore towards cost of cows, transportation, insurance and other contingent expenditure *etc.* Audit scrutiny of records in test checked districts, however, revealed the following deficiencies in planning and execution of the Scheme.

#### 3.1.3.1 Identification of Beneficiaries

The District Collector is overall incharge of the process of identification of beneficiaries. Village Level Committees (VLC) are constituted to identify and shortlist the eligible beneficiaries. After confirming adherence to the norms from VAS and Deputy Block Development Officer (Deputy BDO), Gram Sabha approves the final list. However, guidelines issued by the Department were silent on prioritisation among the eligible applications out of large number of applications received.

Audit scrutiny revealed the following deficiencies in selection of beneficiaries in violation of selection criteria<sup>29</sup>.

#### ➤ Rejection of applications without justification

Number of beneficiaries in each VP should ordinarily be 50. More than 100 applications were received in 24 VPs out of 45 VPs test checked. Many applications were rejected either without recording any reason or on grounds not contemplated in the guidelines such as drawal of old age pension by relative, beneficiary of Indira Awas Yojana and other Schemes, *etc.* Government, accepting the audit observation, informed (January 2014) that the field officers and District Administration were instructed to strictly comply with the guidelines in process of selection.

#### ➤ Selection of ineligible beneficiaries

Against 1,170 beneficiaries selected in 23 out of 45 test checked VPs, audit found that 210 (18 *per cent*) were ineligible due to reasons such as age more than 60 years, already in possession of cows, excess land holdings *etc.* This included 33 ineligible beneficiaries selected ignoring the remarks of Village Administrative Officer (VAO) for non-selection. Government replied (January 2014) that compliance with guidelines would be ensured.

#### ➤ Shortfall in selection of SC/ST beneficiaries

In 31 out of 136 VPs covered in the test checked districts, percentage of SC/ST representation was nil in seven VPs, in the range of 1-10 *per*

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<sup>29</sup>

Women headed households, below 60 years of age, do not own land over one acre in their own name or family members' name, do not own any cows/buffaloes. Further, 30 *per cent* of the beneficiaries should belong to SC/ST Communities.

cent in six VPs and 11-20 per cent in 11 VPs, much below the prescribed norm of 30 per cent. Department replied (January 2014) that the shortfall was due to non-availability of SC/ST in certain villages. Scheme guidelines, however, prescribed that shortfall due to non-availability of SC/ST population should be certified by the concerned Tahsildar. Such endorsement was not available on records.

In response thereto, Department cited inadequate time for scrutiny of applications and non-cooperation of Deputy BDO/VAO as main reasons for selection of ineligible beneficiaries. Government assured (January 2014) that sufficient time would be given for scrutiny of application. However, the fact remains that selection of ineligible beneficiaries deprived eligible needy beneficiaries of benefits of the Scheme.

### 3.1.3.2 Procurement of cows

Procurement of 12,000 cows was targeted every year with direct involvement of beneficiaries with a requirement of 1,000 cows every month. Department decided to adopt the option of purchase from Shandies (livestock market) of neighbouring States in order to increase the overall number of cows within the State. The report of the special teams constituted to study feasibility of procurement of cows opined (September/October 2011) that Andhra Pradesh was not an ideal State for procurement of cross bred jersey cows for reasons such as non-availability of sufficient cross bred, lactating cows *etc.* Disregarding recommendations of the committee, Department, however, proceeded with purchase of cows from the Shandies at Punganur, Palamaner and Peleru in Andhra Pradesh. This resulted in distress purchase of poor quality/over-aged cows to achieve annual target as detailed below:

- **Hasty Procurement of cows**  
As per instructions of Commissioner of Animal Husbandry (CAH), purchase of cows was to be made after observing health status, milk yield, *etc.*, for four to five days. However, this was done within one to two days in ten VPs in three<sup>30</sup> test checked districts indicating hasty and distress purchase.
- **Procurement of over-aged cows**  
Scheme guidelines stipulated that lactating cows that are in their first/second lactation and not more than five years old should be procured to ensure continuous production for next five lactations. In 19 out of 45 VPs test checked, it was found that 329 out of 950 cows procured (35 per cent) were more than five years of age. Government agreed (January 2014) that necessary instructions to the field officials would be issued.
- **Procurement of poor quality cows**  
Beneficiary can get continuous benefits from rearing the cow only when the cow calves periodically. Department also carried out artificial insemination from the third month of calving to enable continuous benefit. Despite involvement of VAS in the procurement process to ensure good health of cows and conformity to norms, audit observed

<sup>30</sup> Seven VPs in Thoothukudi, two VP in Nagapattinam and one VP in Villupuram districts.

through questionnaire that 86 out of 441 cows procured (20 per cent) became 'dry and non-pregnant'<sup>31</sup> subsequently in nine VPs of five Districts. Since Scheme guidelines do not provide for replacement of such cows, the beneficiary could not get intended benefit of the Scheme. Government stated (January 2014) that out of the total cows procured, only two to three per cent are such cows which is within acceptable standards. However, scrutiny of figures furnished by Directorate revealed that percentage of dry and non-pregnant cows in test checked districts was 44 per cent of total such cows throughout the State.

➤ **Poor Milk Yield**

CAH instructed that cows with a minimum yield of 10 litres per day as verified over three consecutive milking were to be procured. However, 235 of 364 beneficiaries (65 per cent) in the field survey conducted by audit reported that milking was not done even once before purchase. As against the expected yield of 10 litres per day, only 61 beneficiaries (16 per cent) of the 383 beneficiaries stated that they received more than seven litres and 19 per cent of the beneficiaries received less than three litres per day while 65 per cent reported yield in the range between three and seven litres.

Government replied (January 2014) that scheme guidelines did not stipulate milk yield from the cow as ten litres. However, yield of 10 litres per cow was fixed by CAH to ensure procurement of quality cows.

➤ **Milk procurement by Co-operative Societies**

Scheme guidelines stipulated that Deputy Registrar (Dairy) should take action to form new Primary Milk Producers Co-operative Societies with beneficiaries of the Scheme in each village and milk should be procured from day one onwards without any delay. In five<sup>32</sup> out of 45 VPs, societies were not formed. In remaining 40 societies, procurement was (i) less than three litres in 16 VPs, (ii) three litres to five litres in 19 VPs and (iii) more than five litres in five VPs. Average milk yield per beneficiary as informed by Government was around three litres as compared to minimum expected yield of ten litres. Consequently, maximum recorded addition to milk procurement of the State was around 46,000 litres per day as against the expected quantity of 1,68,000<sup>33</sup> litres per day even after allowing a margin of 30 per cent for self consumption. Government in their reply (January 2014) informed that milk obtained at present was to the extent of 1,35,000 litres per day from 30,000 cows. However, this is at variance with the details of procurement of milk by societies (46,000 litres) as furnished by the Government and those stated to be 80,000 litres in Policy Note (2013-14) from 24,000 cows distributed during the audit period.

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<sup>31</sup> The cow will come for breeding within three months of calving. The cow would continue to produce milk continuously depending on its productivity for commercially viable dairying, two months after calving the cow would be inseminated and made pregnant. Due to reproductive issues, the cow fails to become pregnant even after repeated insemination and there is also cessation of milk production. This condition is "Dry and Non-pregnant" condition.

<sup>32</sup> Kalugachalapuram, Kumareddiyarpuram, Sakkanapuram and T. Subbaiahpuram in Thoothukkudi district and Melsiviri in Villupuram district.

<sup>33</sup> 24,000 cows x 10 litres x 70 per cent = 1,68,000 litres.

Government replied (January 2014) that market forces were expected to bring adequate cows to the Shandies. Further field officials would be given sufficient time to complete procurement process to avoid sub-standard quality. However, the fact remained that incorrect selection of place for purchase of cows and non-adherence to Scheme guidelines resulted in procurement of poor quality/over-aged cows which in turn impacted yield of milk.

### 3.1.3.3 Post procurement management

Scheme guidelines insisted on compulsory maintenance of cows by beneficiaries for a period of four years. Audit observed the following deficiencies in post procurement management.

#### ➤ Non-consideration of supply of fodder

Public Accounts Committee in their recommendations (Thirteenth Assembly 2006-2007 fourth report) to audit para on 'Formulation of schemes under Special Central Assistance - free supply of calves to Hindu Adi Dravida women' figured in Audit Report for the year ended March 1996, pointed out that feed facilities were to be considered while formulating the Scheme for supply of cows to poorest people. However, there was no mechanism in these guidelines to ensure adequate feed management to cows especially considering poor financial status of the beneficiaries. Government replied (January 2014) that State Fodder Development Scheme was implemented to ensure adequate feed management. Audit scrutiny, however, revealed that only 91 (three *per cent*) out of 2,689 beneficiaries under this scheme were benefited in three<sup>34</sup> test checked districts.

#### ➤ Insurance of cows

Cows purchased under the Scheme were insured for replacement of dead cow. As against 453 deaths noticed in test checked districts, insurance companies settled 201 claims (42 *per cent*) and Department replaced only 103 cows. Department was yet to claim compensation in 50 cases and 183 cases were pending with insurance company. Government replied (January 2014) that departmental officials were instructed to take necessary follow up measures for early settlement of insurance claim.

#### ➤ Non-allotment of funds for reinsurance

Government sanctioned an amount of ₹ 2.16 crore during 2012-13 for insurance of cows purchased during 2012-13 and reinsurance of cows purchased in the year 2011-12. However, provision for reinsurance of cows purchased during 2011-12 and 2012-13 was not made in the budget for the year 2013-14. Government replied (January 2014) that allotment of funds was not made for reinsurance.

#### ➤ Sale of cows after purchase

Audit noticed that 190 (three *per cent*) out of 6,689 cows were sold by beneficiaries before the prescribed period in the test checked districts. In above cases, Department filed first information report with Police Department and cost of cows was not recovered from beneficiaries. As reported by them, sale was resorted to on grounds of poor milk yield,

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The details in this regard were not furnished in other two (Pudukkottai and Villupuram) test checked districts.

sickness *etc.* After selling cross breed cows, 118 out of 190 beneficiaries purchased cows locally. This goes against the guidelines which envisaged increase in milk productivity of the State and enhancement in overall number of cows within the State.

Poor management after procurement in ensuring fodder and insurance cover would impact accrual of benefits under the Scheme to the poor and needy.

### 3.1.3.4 Monitoring

Physical verification of all cows was to be conducted by VAS periodically for ensuring continuous possession of cows by the beneficiaries. There was no system at apex level to ascertain correctness of the facts furnished by the VAS. Department also failed to conduct periodical evaluation to initiate corrective measures for effective implementation of the Scheme. In the absence of such mechanism, there were discrepancies in reporting in respect of dead cows as evidenced from the following.

#### Discrepancies in reporting

Details of cows that died during 2011-12 to 2012-13 as furnished by the CAH and by the test checked districts are furnished below:

Sl. No.	Name of the District	No. of cows reported dead	
		CAH Data	District Data
1.	Nagapattinam	38	56
2.	Thoothukudi	24	44
3.	Villupuram	130	175
<b>Total</b>		<b>192</b>	<b>275</b>
<b>State wide</b>		<b>770</b>	

Audit analysis also showed that

- In three out of five test checked districts, there were discrepancies between figures furnished by districts and that of CAH.
- Number of cows that died in three test checked districts out of 21 districts in which Scheme was being implemented (district figure) constituted 36 *per cent* of total cows that died throughout the State as furnished by CAH.

Though the physical target was reported to have been achieved, number of cows available was less due to sale/death *etc.* Thus, there was no effective mechanism to monitor effective implementation of the Scheme and also assess difficulties encountered at the field level. Government replied (January 2014) that instructions were given to the departmental officials to avoid discrepancies in reporting.

Government stated (January 2014) that field officers were instructed to comply strictly with guidelines in the process of selection of beneficiaries and procurement of cows.

## Conclusion

A scheme, formulated with the objective of empowering poor women in rural areas and to improve economic status of beneficiaries was adversely impacted due to deficiencies in execution.

- Lack of transparency in selection deprived needy eligible women beneficiaries of the benefits envisaged in the scheme.
- Deficiency in procurement mechanism resulted in procurement of poor quality cows and poor milk yield which impacted objectives of improving economic status of poor women in rural areas and increasing milk productivity of the State.
- Poor post procurement management particularly in provision of fodder and insurance coverage impacted sustainability of the Scheme.

## ENVIRONMENT AND FOREST DEPARTMENT

### 3.2 Functioning of State Compensatory Afforestation Fund Management and Planning Authority

#### 3.2.1 Introduction

State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA), was constituted (September 2009) by Government, as per guidelines issued by Ministry of Environment and Forests (MoEF), Government of India (GOI). State CAMPA would receive moneys collected from user agencies for diversion of forest land towards Compensatory Afforestation (CA), Additional Compensatory Afforestation (ACA), Penal Compensatory Afforestation (PCA), Net Present Value<sup>35</sup> (NPV) and Catchment Area Treatment Plan (CATP) under Forest Conservation Act, 1980 and presently lying with Ad-hoc CAMPA constituted (May 2006) under directions of Hon'ble Supreme Court of India.

State CAMPA would administer the amount received from Ad-hoc CAMPA and utilise the moneys collected for undertaking CA, assist natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection of other related activities and for matters connected therewith or incidental thereto.

#### 3.2.2 Scope of Audit

Audit was conducted to ascertain proper assessment of compensation receivable from user agencies for diversion of forest land, collection, remittance and utilisation of funds received from Ad-hoc CAMPA. Audit, benchmarked these activities against Forest Conservation Act, guidelines and orders issued by MoEF governing conservation of forest. Audit scrutinised records during September to December 2012 and from August to September 2013 at the offices of State CAMPA and 13<sup>36</sup> out of 22 DFOs who implemented the programme.

<sup>35</sup> Net Present Value – Net Value of forest land being diverted for non-forest purpose

<sup>36</sup> Kancheepuram, Tiruvallur, Dindigul, Kodaikanal, Karur, Salem, Attur, Coimbatore, Nilgiris (South), Nilgiris (North), Vellore, Tiruvannamalai and Tirupattur where expenditure involved was higher.

As per instructions of Hon'ble Supreme Court of India, amount collected for purpose of diversion of forest land from the period 2002 was to be transferred to Ad-hoc CAMPA. Accordingly, records pertaining to diversion of forest land during the period from April 2002 to March 2013 and expenditure incurred out of the funds released by the Ad-hoc CAMPA since its formation (2009-13) were examined by audit.

State CAMPA consists of two committee viz., State Level Steering Committee (SLSC) and Executive Committee (EC) under the Chairmanship of Chief Secretary to Government and Principal Chief Conservator of Forests (PCCF) respectively. The Additional Principal Chief Conservator of Forests (State CAMPA) looked after the activities of State CAMPA. District Forest Officer (DFO) implemented the programme at district level.

### 3.2.3 Planning

Guidelines of State CAMPA stipulated that Annual Plan of Operations (APO) should be prepared before end of December for each financial year by EC for various activities to be carried out in the State. APO duly approved by the SLSC was required to be sent to Ad-hoc CAMPA for release of funds giving a break-up of proposed activities and estimated costs. Details of funds released to State CAMPA and utilisation thereof are furnished below:

(₹ in lakh)

Year	Amount released by Ad-hoc CAMPA	Actual expenditure	Under utilisation
2009-10	197.13	Nil	197.13
2010-11	170.32	167.92	2.40
2011-12	138.30	131.13	7.17
2012-13	114.54	40.47	74.07
<b>Total</b>	<b>620.29</b>	<b>339.52</b>	<b>280.77</b>

Audit scrutiny revealed that

- APO was not prepared for the year 2009-10. Funds released by Ad-hoc CAMPA during 2009-10 were utilised in the year 2010-11.
- EC failed to prepare APO for the unspent amount and the amount to be released by the Ad-hoc CAMPA.
- State CAMPA could utilise only ₹ 3.4 crore (55 per cent) against release of ₹ 6.20 crore during 2009-10 to 2012-13. This included expenditure of ₹ 0.92 crore (**Annexure-4**) incurred on ineligible components like extension of training hall, Laboratory etc., constituting 27 per cent.

Government in reply stated (December 2013) that unspent amount would be utilised during 2013-14.

### 3.2.4 CAMPA Fund

Notification issued (April 2004) by MoEF considered it necessary and expedient for the constitution of CAMPA and subsequently, GOI instructed (May 2006) that all receipts from user agencies towards NPV, CA, PCA, ACA, CATP should be transferred to Ad-hoc CAMPA fund for compliance of conditions stipulated by the GOI. Unspent funds already realised by the States from October 2002 should also be transferred to Ad-hoc CAMPA within six



months from the date of the issue of the order. GOI also instructed State CAMPA to collect NPV in respect of the cases involving diversion of forest land for which the Stage I<sup>37</sup> clearance was given prior to 29/30 October 2002 and Stage II<sup>38</sup> clearance thereafter.

Audit observed following deficiencies in process of assessment, collection and remittance of funds into Ad-hoc CAMPA in violation of above instructions.

### 3.2.4.1 *Incorrect adoption of rates for diversion of land*

As per orders of Hon'ble Supreme Court of India (March 2008), NPV at the rate ranging from ₹ 4.38 lakh to ₹ 10.43 lakh per hectare (ha), depending upon density and class of forest was to be charged. In case of National Parks, this amount was to be charged at ten times the normal rate and in case of Sanctuaries at five times the normal rates. However, audit observed short assessment to the tune of ₹ 0.83 crore (**Annexure - 5**) due to adoption of incorrect rate/extent of land in diversion of forest land for construction of high level bridge at Pulicat Lake Bird Sanctuary, laying underground cable at Mudumalai Wild Life Sanctuary etc.

### 3.2.4.2 *Non-remittance/belated remittance of funds to Ad-hoc CAMPA*

As per the guidelines, unspent funds already realised by States from October 2002 should also be transferred to Ad-hoc CAMPA within six months. An amount of ₹ 15.84 crore collected towards CA during 2002-03 to 2009-10 was belatedly credited (March 2013) into Ad-hoc CAMPA account though State CAMPA was formed in September 2009. Sum of ₹ 2.87 crore realised from user agencies was still pending remittance to Ad-hoc CAMPA account. This includes an erroneous credit of ₹ 1.78 crore (May 2006 - CATP amount) to Crop Husbandry head by Deputy Director, Project Tiger, Ambasamudram and remittance head of Forest Department amounting to ₹ 1.09<sup>39</sup> crore.

As per section 2(ii) of Forest (Conservation) Act, 1980, no State Government or other authority shall use any forest land for non-forest purpose without prior approval of Central Government. However, three<sup>40</sup> Government Departments were allowed to utilise forest land without obtaining GOI clearance and also without remitting stipulated amount of ₹ 19.92 crore. Audit observed that Department was yet to recover an amount of ₹ 9.72 crore (**Annexure - 6**) involving seven cases for which the Stage I clearance was given prior to 29/30 October 2002 and Stage II clearance thereafter.

Government while accepting (December 2013) audit observation stated that DFOs were instructed to initiate action.

<sup>37</sup> Stage I: In principle clearance stipulating conditions for transfer of forest lands.

<sup>38</sup> Stage II : Issue of formal approval on compliance of conditions stipulated in Stage I  
<sup>39</sup> ₹ 0.44 crore (2005), ₹ 0.05 crore (2003), ₹ 0.41 crore (2001), ₹ 0.19 crore (1998).

<sup>40</sup> Construction of Reservoir across Vadakku Pachayar river (₹19.17 crore), Tamil Nadu Electricity Board (TNEB) (₹ 0.58 crore), Udhagamandalam Municipality (₹ 0.17 crore).

Release of funds to the State for afforestation work was made every year at a fixed percentage. Failure of the State CAMPA to levy, collect and remit the dues to Ad-hoc CAMPA in time as brought out above, deprived the State CAMPA its share amount of ₹ 15.49 crore in the last four years which could have been utilised for afforestation activities.

### **3.2.5 Non-Preparation of Annual Accounts**

Guidelines on State CAMPA issued by MoEF stipulated that State CAMPA should maintain proper accounts and other relevant records and prepare an annual statement of accounts for certification. However, the State CAMPA did not prepare the statement of accounts from 2009-10 to 2012-13 and certification of its accounts could not be conducted.

Government replied (December 2013) that accounts would be prepared at the earliest and submitted for certification.

### **3.2.6 Utilisation of State CAMPA Fund**

MoEF in the notification (April 2004) specified that the money received towards CA, NPV etc., shall be used only for the purpose. Receipts were to be recorded under each component to ensure its utilisation for such purpose. However, in absence of a proper system to account for funds collected from user agencies against these components, the APO was prepared without mentioning components under which the plans were drafted. An amount of ₹ 0.92 crore (**Annexure 4**) constituting 27 per cent was incurred on ineligible components in contravention of guidelines.

Government stated (December 2013) that though items of works were not sanctioned in APO, expenditure was incurred within the approved pro-rata. However, works were executed without approval of SLSC. Thus, funds intended for afforestation were utilised for other activities not included in approved APO thereby defeating objective of enhancing forest cover.

### **3.2.7 Regulatory shortcomings in diversion of forest land**

The Act stipulated that orders permitting use of any forest land or any portion thereof for non-forest purpose should be issued with prior approval of MoEF. Compensation for diversion of forest land should be in the form of equal area of non-forest land or double the area in case of degraded forests. Non-forest land identified for CA was required to be transferred to Forest Department (FD) and declared as Reserved/Protected forest. Further, guidelines envisaged that State CAMPA should carry out afforestation within a period of one year or within two growing seasons after project completion.

Scrutiny of records revealed that as against an extent of 561.61 ha of forest land diverted/leased out to various Departments during the period from April 2002 to March 2013, Department received 365.59 ha of non-forest land and further identified 370.64 ha of degraded forest land (for diversion of forest land to GOI Department/Undertakings) towards CA. Audit analysis of the land diversion by State CAMPA revealed the following deficiencies.

- Out of the 365.59 ha of non-forest land received and 370.64 ha of degraded forest land identified by the FD, CA was not carried out (December 2013) in 79.28 ha of non-forest land and 76.10 ha in degraded forest land.
- An extent of 309.58 ha (85 *per cent*) of land out of 365.59 ha received from user agencies towards CA was yet to be declared as Reserved/Protected forest.
- Forest land to the extent of 346.53<sup>41</sup> ha was utilised by user agencies without prior concurrence of GOI in violation of the Forest Conservation Act.

Non-compliance of regulatory provisions in diversion of forest land defeated objective of conservation, protection, regeneration and management of natural forest by the State CAMPA.

Government in their reply stated (December 2013) that action has been initiated by concerned DFOs to notify non-forest land as reserved forests and also carry out CA. As regards utilisation of forest lands without prior concurrence of GOI, it was stated that the matter has been taken up with concerned Departments/Authorities/GOI for necessary action.

### 3.2.8 Monitoring

EC should take steps for giving effect to State CAMPA and its overarching objectives and core principles, in accordance with rules and procedures approved by SLSC and approved APO. EC was to prepare the APO of the State for various activities, submit it to the SLSC before end of December for each financial year and obtain the SLSC's concurrence for release of funds. Further, EC was required to supervise the works being implemented in the State out of the funds released from the State CAMPA. PCCF was to monitor the programme through monthly periodicals and monthly meetings. However, audit observed deficiencies in the monitoring as evidenced from the following:

- There were differences in the amount credited into the Ad-hoc CAMPA as per the records maintained by it and that of State CAMPA. Due to absence of centralised monitoring of remittances made (March 2007 to July 2012) to Ad-hoc CAMPA by user agencies/Department, difference of ₹ 1.20 crore (nine items) was noticed between the two accounts.

<sup>41</sup> PWD (Construction of Reservoir across Vadakku Pachayar river in Tirunelveli district) – 191.60 Ha; NHAI (Construction of a two lane bypass road to Kulitthalai town) – 4.58 Ha; TNSTC, Coimbatore – 1.32 Ha; Central Potato Research Centre – 16.80 Ha; SIDCO – 4.49 Ha; Hindustan Photo Films Manufacturing Company Limited, Ooty – 117.88 Ha; TNEB – PUSEP – 3.68 Ha; Udhagamandalam Municipality – 4.8 Ha; Police Repeater Station – 1.08 Ha; Selva Murugan Vazhipattu Sangam – 0.31 Ha

- There was no system to watch proper remittances of NPV, CA, PCA etc., into Ad-hoc CAMPA.
- While the amount collected towards CA from user agencies included the charges for raising of plantations and also maintenance of the plantation so raised for five years, State CAMPA released funds for maintenance only for one year.
- There was no detailed scrutiny by SLSC while approving APO. Audit observed inclusion of ineligible items of works such as Survey and Demarcation of Ayyankoil village for relocation of inhabitants living in Mudumalai Tiger Reserve, expenditure incurred for the works which were executed during 2006-07 etc., to the tune of ₹ 1.52 crore (**Annexure – 7**).

Government stated (December 2013) that follow up action was initiated to reconcile discrepancies in funds available in State CAMPA. Belated receipt of funds during first year (2009-10) of functioning of State CAMPA was attributed to postponement of utilisation of funds received from Ad-hoc CAMPA by one financial year. As regards deficient monitoring system, it was replied that action was initiated.

Deficiencies in the system of concurrent monitoring of assessment of compensation from user agencies for diversion of forest land, collection and remittance of funds defeated the intended objective of formation of State CAMPA.

### **Conclusion**

- Deficiencies in the system to assess, levy, collect and remit the funds deprived State CAMPA of its share of ₹ 15.49 crore for afforestation during 2009-13.
- Funds of ₹ 6.20 crore received were utilised to the extent of 55 *per cent* only which included ineligible expenditure to the extent of ₹ 0.92 crore.
- Eighty five *per cent* of the land received from user agencies for Compensatory Afforestation was yet to be declared as Reserved/Protected forest.
- Apart from 561 ha diverted for non-forest purposes, an extent of 346.53 ha of forest land was utilised by user agencies without prior concurrence of GOI.
- Deficiencies were noticed in the monitoring system for concurrent evaluation of the works implemented in the State.

Thus, the intended objectives of conservation, protection, regeneration and management of natural forest by the State CAMPA remained largely unachieved due to gaps in implementation.

### 3.3 Avoidable expenditure

#### HIGHWAYS AND MINOR PORTS DEPARTMENT

##### 3.3.1 Avoidable expenditure due to adoption of defective design

**Defective design in execution of work resulted in avoidable additional expenditure/liability of ₹ 6.02 crore and also defeated the objective of providing bypass link to pilgrims visiting Rameswaram for more than two years even after incurring an expenditure of ₹ 23.95 crore.**

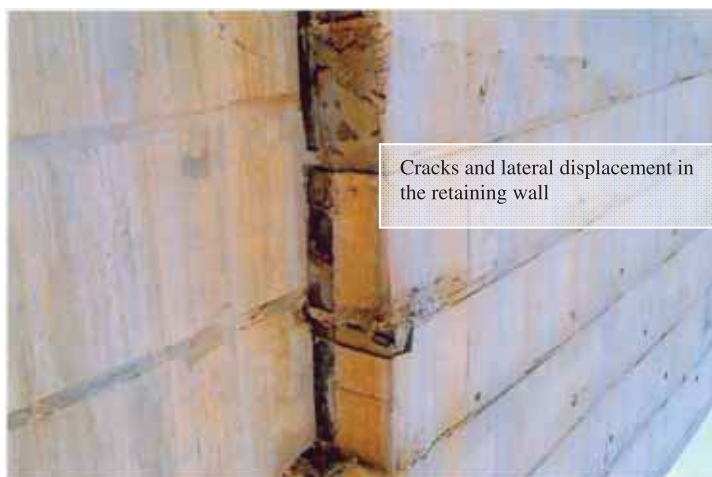
Vehicles bound for pilgrim town of Rameswaram pass through Ramanathapuram Municipal Area. To decongest heavy traffic flow and to avoid unnecessary entry of vehicles through Ramanathapuram, a bypass was proposed (December 2000) under Tamil Nadu Road Sector Project (TNRSP). Government accorded (April 2003) administrative sanction for the “Construction of Ramanathapuram bypass” for ₹ 51.55 crore. Consultancy services for preparation of detailed engineering design, cost estimates and bid documents for Ramanathapuram bypass road were awarded (June 2003) to a Design Consultant and payment of ₹ 11.56 lakh was made (July 2003 to January 2008) on submission (December 2007) of final Detailed Design Report.

Scope of works included construction of Road Over Bridge (ROB) by Southern Railway as a deposit work and laying of double lane road and construction of approaches to ROB with retaining wall by Highways Department.

On clearance (December 2007) from World Bank for execution of works by Highways Department the work split into two sections<sup>42</sup> was awarded (June 2008) to a contractor for a value of ₹ 35.30 crore.

Works under Highways portion were completed (January 2011 and October 2010) for Section 1 and 2 respectively by the contractor. Construction of ROB falling under Section 1 was completed (April 2012) by Southern Railway at a cost of ₹ 8.79 crore. Total expenditure incurred by the Department for both sections of work was ₹ 52.57 crore (July 2013) which included an expenditure of ₹ 23.95 crore incurred for Section 1.

Cracks and lateral displacement in the retaining wall of ROB approaches under Highways portion in Section - 1 were noticed (February 2011) immediately after completion of the work by supervision consultant



<sup>42</sup>

Section 1 – km 4/500 to 10/400 and Section 2 – km 0/0 – 4/500

engaged for measurement and quality check. Structural design of retaining walls for Ramanathapuram bypass was referred (June 2011) to Indian Institute of Technology, Madras (IIT) for checking its correctness. IIT pointed out (February 2012) defective design<sup>43</sup> prepared by Design Consultant. Later, Indian Institute of Science, Bangalore (IISC) was requested (March 2012) to arrive at suitable remedial measure for the retaining wall. Based on the report (March 2013), the work of strengthening the retaining wall was awarded (June 2013) to another contractor for a value of ₹ 6.02 crore.

Audit scrutiny revealed the following:

- World Bank observed (November 2007) inconsistencies in design prepared by the Consultant and instructed TNRSP to assure correctness of the design and its constructability. Proof checking of designs was not conducted in this work.
- The request (August 2007) of the Engineer in charge of execution to ascertain correctness of design was turned down by Project Director, TNRSP on grounds of urgency to complete the long pending work. Thus, TNRSP lost the opportunity to rectify the defects in the design before execution of works.
- Though the defect liability period of the work was operative when cracks and lateral displacement in the retaining wall were noticed, the contractor refused to rectify the defects on the grounds that the design was prepared by a Design Consultant and the fact of non-conformity of the design was already brought to the notice of TNRSP.

Thus, action of TNRSP in accepting the defective design prepared by the Design Consultant and rejection of request to allow time for proof checking of designs resulted in avoidable additional expenditure/liability of ₹ 6.02 crore towards rectification of retaining wall and also defeated the objective of providing bypass link to pilgrims visiting Rameswaram for more than two years (January 2011-October 2013) even after incurring an expenditure of ₹ 23.95 crore.

TNRSP (June 2013) replied that no distress was noticed at the time of issue of completion certificate (February 2011) and adoption of correct design would involve more expenditure. However, the fact remains that structural stability of ROB and safety of general public cannot be compromised.

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<sup>43</sup> The design calculations for all the retaining wall sections were inadequate against overturning and sliding. The safety factor against overturning and sliding was not in conformity with the Indian Standards Specifications. The stem sections were found to be inadequate.

### 3.3.2 Award of road works to a contractor with record of poor performance

**Avoidable expenditure/committed liability of ₹ 6.57 crore and non-recovery of ₹ 1.10 crore due to incorrect award of road works to a contractor with a record of poor performance.**

Government accorded (February 2008) administrative sanction for three road works<sup>44</sup> under Road sub-projects of the World Bank (BANK) aided “Tamil Nadu Urban Development Project III”. Bids for one work, received in December 2008, were evaluated (January 2009) by the Chief Engineer (Highways), Metro wing (CE) and the bid submitted by the lowest tenderer (L1) was approved (January 2009) by the Commissionerate of Tenders (COT) for a value of ₹ 24.59 crore. The evaluation report was sent (February 2009) to BANK for final concurrence.

Clause 4.8 of the General Conditions of Contract of the bid documents *inter alia* provided that bidders would be disqualified if they had a record of poor performance such as abandoning works, not properly completing contracts, inordinate delays in completion, etc. As per the procurement guidelines of the BANK, the borrowers should carry out due diligence on the technical and financial qualifications of bidders to be assured of their capabilities in relation to the specific contract.

While the bid of L1 was under consideration by BANK, CE apprised (March 2009) the BANK of the fact that the work entrusted to L1 by Kerala State Public Works Department (KPWD) was terminated in February 2009 due to stoppage of work by contractor despite repeated reminders by KPWD. In response, the BANK instructed CE to carry out due diligence in taking a final decision in this regard. CE, however, ignoring poor performance record of contractor awarded (June 2009) the contract to L1. Two other works were also awarded subsequently (January 2010) to the same Firm. Since progress of works awarded to them in the above works was poor, contracts relating to all three works were terminated between April and November 2011. Balance works left over by the contractor amounting to ₹ 30.49 crore were entrusted (September and December 2011) to other contractors for a value of ₹ 43.16 crore through fresh tenders. Out of three works, two works were completed and third work was in progress (December 2013).

<sup>44</sup> One work - Widening and Strengthening of Taramani Link Road in km 0/0 – 3/650 – ₹ 23.45 crore. Another work - Widening and Strengthening of Minjur – Kattur – Thirupalaivanam in km 0/0 – 10/0 - ₹ 15.80 crore. Third work - Widening and Strengthening of Minjur – Kattur – Thirupalaivanam in km 10/0 – 17/4- ₹ 15.98 crore.

As against an amount of ₹ 6.10 crore recoverable from contractor towards 20 *per cent*<sup>45</sup> of cost of balance works as per terms of agreement, ₹ 1.10 crore remained unrecovered (December 2013).

Thus, failure of CE in overlooking the poor performance record of bidding firm resulted in non-completion of works for more than two years leading to denial of benefits to public and also avoidable expenditure/liability to Government to the tune of ₹ 6.57 crore<sup>46</sup> due to execution of balance works through other contractors at enhanced rates.

Government replied that full details of poor performance of contractor in KPWD were not available to CE. The fact, however, remains that CE was aware of the poor performance of the contractor before entrustment.

### 3.3.3 Avoidable expenditure/liability on construction of bridge works

**Injudicious rejection of tenders though there were no possibilities of getting further favourable tenders resulted in excess expenditure/liability of ₹ 1.09 crore in the construction of two bridge works.**

The Commissionerate of Tenders, Highways Department (COT) was constituted (January 1999) to streamline tender acceptance procedure and to scrutinise and approve tenders where the contract value of the road/bridge work was more than ₹ two crore irrespective of tender excess and where the contract value was between ₹ one crore and two crore with tender excess of above three *per cent* (March 2007).

Tenders were rejected in respect of following two cases without referring the results of negotiation to COT, the competent authority and the consequences thereon are discussed below:

#### (A) Reconstruction of bridge at km 2/6 of Papakoil - Karunkanni Road

Government accorded (September 2009) administrative sanction for the above work. Tenders were invited (April 2010) and the lowest tenderer (L1) in the first call quoted 18.50 *per cent* above estimate rate (AER) (2009-10) of ₹ 1.89 crore after negotiation. The tender was rejected by Superintending Engineer (Highways), Construction & Maintenance Circle, Trichy (SE, Trichy) since the contractor refused to reduce rates further. Second and the third calls received no response.

L1 of fourth call agreed to reduce the rate to 15.30 *per cent* AER. While forwarding (October 2010) proposals of the fourth call to COT, CE endorsed recommendation of SE, Trichy, that there was no possibility of getting further favourable tenders. However, COT, ignoring the above recommendations of SE and CE, returned the tender with instructions to further negotiate and bring down the rates to a reasonable level. As the contractor refused to reduce the

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<sup>45</sup> If the contract is terminated for fundamental breach of contract by the contractor, clause 60 of the conditions of the contract read with clause 34 of contract data contained in the bid documents in respect of three works provided for recovery of 20 *per cent* of balance works as additional cost for completing the unfinished works and the same works out to ₹ 6.10 crore (20 *per cent* of ₹ 30.49 crore).

<sup>46</sup> Additional cost ₹ 12.67 crore – amount recoverable ₹ 6.10 crore = ₹ 6.57 crore.



rates further, the tender was rejected (October 2010) unilaterally by SE, without referring the results of negotiation to COT.

As there was no response to subsequent tenders<sup>47</sup>, the Department could finalise tender only in the ninth call with a tender excess of 43.25 *per cent* AER (2009-10) on approval (November 2011) by COT. Due to rejection of tender, the Department was to execute the work with additional liability of ₹ 0.53 crore<sup>48</sup>.

### **(B) Reconstruction of bridge across Pazhayar River**

Government approved (August 2010) the above work for ₹ two crore. When tenders were invited (December 2010) for the above work, L1 of the first call after negotiation agreed to reduce the rate to 9.90 *per cent* AER (2010-11).

In view of non-availability of skilled labour for bridge works, heavy rainfall and scarcity of sand, Superintending Engineer, Highways, Construction and Maintenance, Tirunelveli (SE, Tirunelveli) opined that the chances for better response in future calls would be remote and further delay would lead to time and cost overrun and recommended (January 2011) the above tender for approval. CE also concurred with Superintending Engineer and forwarded (February 2011) the proposal to COT. Disregarding the recommendations, COT directed (February 2011) further negotiations to bring down the rates to reasonable level. As the negotiation did not fructify, the tender was rejected (February 2011) unilaterally by SE, Tirunelveli. Finally, COT approved (June 2012) the lowest tender in the eighth call with a tender excess of 45 *per cent* AER (2010-11). Despite the fact that there were no possibilities of getting further favourable tenders, injudicious rejection of tender resulted in avoidable expenditure of ₹ 0.56 crore<sup>49</sup>.

Audit observed that

- Though COT was aware of the past trend on tender percentage in bridge works, the tenders were returned for further negotiations. As a result, the Department could only finalise the tenders after a delay of 18 months with tender excess *per cent* more than thrice that initially agreed to by the contractors.
- CE forming part of COT approved the tender for further negotiation, even after recommending the tender for approval on the grounds that there was no possibility of getting further favourable tender.
- Neither the approval of COT nor the concurrence of CE was obtained before cancellation of tenders by both SEs.
- The constitution of COT was to streamline the tender acceptance procedure and to speed up execution of works. The failure of COT to follow up the outcome of returned tenders sent for negotiations resulted in closing an opportunity of accepting favourable tenders.

<sup>47</sup> Three tenders had no response (fifth, seventh and eighth) and sixth call was rejected due to higher tender percentage.

<sup>48</sup> Lowest tender value of ninth call at 43.25 *per cent* AER (₹ 2, 70, 11,117) - Lowest tender value of fourth call at 15.30 *per cent* AER (₹ 2, 17,40,885).

<sup>49</sup> Lowest tender value of eighth call at 45 *per cent* AER ( ₹ 2,31,15,526) - Lowest tender value of first call at 9.90 *per cent* AER (₹ 1,75,30,293).

Thus, the injudicious rejection of tenders, though limited possibilities of getting further favourable tenders existed, resulted in excess expenditure/liability of ₹ 1.09 crore<sup>50</sup> in the construction of two bridge works besides time over run.

### 3.3.4 Avoidable expenditure due to payment made for excess provision of cement

**Non-adherence to MORTH specifications resulted in excess payment of ₹ 1.73 crore to contractors due to payment made for adoption of excess cement quantity.**

Clause 602.3.2 of Specifications for Road and Bridge Works issued by the Ministry of Road Transport and Highways (MORTH) (Fourth Revision, 2001) stipulates provision of minimum cement content of 350 Kilogram (kg) per cubic metre (cu. m) of concrete in Cement Concrete (CC) pavement. It also provides for increased quantity of cement as necessary, if the minimum cement content was not sufficient to produce concrete of the specified strength, without additional compensation to the contractor for the increased quantity. It further states that cement content should not exceed 425 kg per cu. m of concrete.

Scrutiny of records relating to twelve works executed by three Construction and Maintenance Divisions (Highways)<sup>51</sup> during 2008-09 to 2010-11 revealed that M40 grade CC mix of 1:1.2:2.4 with a cement content of 540 kg per cu.m was provided in the estimates prepared by the Department for laying CC pavement. A specific clause viz., the works would be executed as per MORTH specifications, was also included in Specification Report accompanying the estimates and in agreements. Works were awarded to the contractors on percentage tender system<sup>52</sup> and payment made accordingly.

Thus, incorrect adoption of 540 kg per cu. m for payment purposes instead of restricting it to 350 kg per cu.m as per MORTH specifications resulted in excess payment of ₹ 1.73 crore to contractors.

On this being pointed out, Department replied (March 2013) that the actual cement consumption or 350 kg per cu.m whichever was higher should be adopted. It was further stated that 540 kg per cu.m was adopted in the estimate as per standard data for M40 design mix. The agreements executed with the contractors as well as the Specification Report accompanying the tenders and estimates clearly specified that the works would be executed as per MORTH and IRC specifications. Further, MORTH specification stipulates that even if cement was utilised in excess of 350 kg per cu.m either as per standard data or as per design mix, the cost of the excess utilised cement should be borne by the contractor only.

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<sup>50</sup> ₹ 1.09 crore = ₹ 0.53 crore + ₹ 0.56 crore

<sup>51</sup> Tiruvarur (Five works), Virudhunagar (Four works) and Chengalpattu (Three works)

<sup>52</sup> Estimate rates plus or minus tender premium/discount

### 3.4 Blocking of funds

#### AGRICULTURE DEPARTMENT

##### 3.4.1 Release of funds without immediate requirement

**Excess drawal of ₹ 72.77 crore for financial assistance to farmers in the cyclone affected areas and its retention outside Government accounts resulted in a loss of interest of ₹ 1.46 crore to Government.**

Based on the proposal (January 2012) of Commissioner of Horticulture and Plantation Crops (CHPC), Government sanctioned (March 2012) an amount of ₹ 3.65 crore towards ploughing cost at ₹ 1,000 per hectare (ha) to the farmers affected by the Thane Cyclone (December 2011) mainly in Cuddalore and Villupuram Districts. Simultaneously, Government sanctioned (March 2012) financial assistance of ₹ 91.29 crore for removal of stumps and roots and also for ploughing at ₹ 25,000 per hectare.

As per orders of the CHPC, the Deputy Director of Horticulture (DDH), Cuddalore and DDH, Villupuram drew entire amount of ₹ 82.62<sup>53</sup> crore (31,777.42 ha) and ₹ 12.31<sup>54</sup> crore (4,736 ha) in July/September 2012 respectively and deposited the same in Nationalised Banks<sup>55</sup>. Out of the above, only an amount of ₹ 20.50 crore (8,200 ha) and ₹ 1.16 crore (478.59 ha) were actually disbursed to eligible farmers (July 2012 to June 2013). The two DDsH finally remitted (March 2013) the entire unspent amount of ₹ 61.62<sup>56</sup> crore and ₹ 11.15 crore in respect of Cuddalore and Villupuram districts to Government account.

Audit observed that

- While issuing sanction for the financial assistance of ₹ 91.29 crore for removal of stumps and roots and ploughing, Government failed to exclude assistance for ploughing already sanctioned leading to unwarranted excess drawal of ₹ 3.65 crore in two districts.
- Though all trees in the damaged area were not uprooted and farmers were against cutting and removal of trees (July 2012), CHPC did not exercise financial prudence and failed to instruct the DDsH to restrict drawals only to the extent the situation demanded as stipulated in Article 3 (b) (i) of Tamil Nadu Financial Code Volume I which states that expenditure should not prima facie be more than the occasion demands. As the requirement of funds in these two districts was only ₹ 21.66 crore drawal of entire amount of ₹ 91.28 crore resulted in excess drawal of ₹ 69.12 crore.

Thus, violation of codal provisions by CHPC and DDsH resulted in drawal of ₹ 72.77 crore in excess of requirements and its retention outside Government account for a period of six/eight months resulted in a loss of interest of ₹ 1.46 crore (**Annexure - 8**) to Government being the difference between the interest earned on the deposits and the Government borrowing rate of interest.

<sup>53</sup> ₹ 3.18 crore + ₹ 79.44 crore

<sup>54</sup> ₹ 0.47 crore + ₹ 11.84 crore

<sup>55</sup> a) Bank of India, Cuddalore b) Central Bank of India, Villupuram

<sup>56</sup> Out of unspent amount of ₹ 62.12 crore, an amount of ₹ 0.5 crore was diverted (March 2013) to another scheme.

To a specific audit query, DDsH stated (July and August 2013) that the entire funds were drawn for immediate disbursement and parked in Nationalised Banks to encourage the bankers on the reasoning that the farmers depend on these banks for their loans. CHPC also concurred with the above reply and stated that the deposited amount would fetch interest.

However, the fact remains that the entire amount need not have been drawn as Treasury Officer confirmed to audit that urgent relief measure bills would have been passed immediately. Further, DDsH were also aware that the entire amount may not be required due to reluctance of farmers for cutting and removing.

### 3.5 Regularity issues

#### HIGHWAYS AND MINOR PORTS DEPARTMENT

##### 3.5.1 Unintended benefit extended to a Licensee

**Undue favour extended to a licensee resulted in short collection of fees of ₹ 8.08 crore and interest loss of ₹ 1.91 crore to Tamil Nadu Maritime Board in construction of marine structures.**

Tamil Nadu Maritime Board (TNMB), the licensor for developing minor ports in Tamil Nadu permitted (January 2008) Tamil Nadu Industrial Development Corporation (TIDCO) to form a Joint Venture Company (JVC) with another company (licensee) to develop the Captive Port<sup>57</sup> (CP) at Kattupalli village in Ponneri Taluk, Tiruvallur District. As per Detailed Project Report (DPR), the capital cost estimate of the project of ₹ 4,675 crore proposed by licensee included the cost of construction of marine structures of ₹ 2,666 crore.

Para 6 of Form No.32 of Tamil Nadu Port Manual (Manual) (amended 1997) stipulates that 0.5 *per cent* of the estimated cost shall be paid to TNMB by the licensee towards consultation fee in advance for erection of marine structures. TNMB further informed the licensee that one time payment of consultation fee was also governed by Government Order<sup>58</sup> (November 1993).

TNMB insisted (March 2010) that the licensee pay one time advance of ₹ 14.70 crore which included consultation fee of ₹ 13.33 crore at 0.5 *per cent* of the estimated cost of marine structures (₹ 2,666 crore) and also warned (April 2010) that failure to pay the amount would attract levy of interest. TNMB *inter alia* cited instances of payment of above fees by other CP developers<sup>59</sup>.

However, TNMB finally acceded (June 2010) to the request of licensee, for collection of consultation fee of ₹ 5.25 crore on the estimated cost of ₹ 1,050 crore (cost of Phase I) on marine structures in quarterly instalments while the exact scope of phases was not set out in any formal agreement.

TNMB, while entering (July 2010) into the agreement with the licensee included the clause of collection of 0.5 *per cent* of estimated cost in advance as per manual provisions. However, the licensee paid the consultation fee of ₹ 5.25<sup>60</sup> crore only in seven instalments (July 2010 to September 2011) instead

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<sup>57</sup> Captive Port means port created by a promoter for handling captive cargo (viz.,) cargo meant for exclusive use of the Port Promoter.

<sup>58</sup> G.O.Ms.No.1060 Transport Department dated 09.11.1993.

<sup>59</sup> Public Sector and Public Limited Companies.

<sup>60</sup> 0.5 *per cent* on Phase I Marine Structure with Investment of ₹ 1,050 crore.

of one time advance payment of ₹ 13.33<sup>61</sup> crore in contravention of manual, Government Orders and agreement. This violation resulted in short collection of consultation fee of ₹ 8.08<sup>62</sup> crore.

When short collection of ₹ 8.08 crore was pointed out (June 2013), TNMB stated (August 2013) that the matter was referred to Government for necessary orders. Further, Government sought (October 2013) clarification from TNMB.

Thus, action of TNMB in extending undue favour to the licensee violating manual provisions and Government Orders resulted in short collection of consultation fee of ₹ 8.08 crore and interest loss to TNMB to the tune of ₹ 1.91 crore<sup>63</sup> (Annexure 9) on payment of consultation fee in instalments.

### 3.5.2 Unfruitful expenditure on road work

**Injudicious selection of road resulted in non-availing of GOI funds and also defeated the intended objective of providing an alternate route to an important pilgrim town besides rendering the expenditure of ₹ 2.20 crore unfruitful.**

Administrative approval for the work of “Widening and Strengthening of Vellamadam – Suchindram road from km 0/0 – 7/3” for ₹ seven crore under Revamped Central Road Fund (RCRF) for 2009-10 was given (March 2010) by GOI. As Rule 7(8) of “The Central Road Fund (State Roads) Rules 2007” (CRF Rules) states that the executive agency should not sponsor any proposal involving land acquisition and shifting of utilities, Chief Engineer (National Highways), Chennai (CE) certified (March 2010) that no land acquisition and shifting of utilities were involved in the work. It was proposed (June 2010) to widen the existing single lane road (3.75m) to double lane (7m) to provide an alternate route to Suchindram Temple and to decongest the traffic in Nagercoil. The work technically sanctioned for ₹ 6.77 crore was awarded (December 2010) to the contractor for a value of ₹ 5.93 crore.

After commencement of work, the CE on field inspection instructed the field engineers (October 2011) to widen the road to the possible width of intermediate lane (5.50m) only in the first five kilometres due to the existence of a canal parallel to the road. In the final stretch (km 5/0-7/3), the widening of the road in total was deleted due to existence of Tamil Nadu Water Supply and Drainage Board (TWAD Board) water pipelines and the work was confined to mere strengthening. Accordingly, the estimate was revised to ₹ 3.22 crore.

<sup>61</sup> 0.5 per cent of the estimated cost of entire marine structures (₹ 2,666 crore) of the Project.

<sup>62</sup> ₹ 13.33 crore - ₹ 5.25 crore = ₹ 8.08 crore.

<sup>63</sup> Calculated at 7.75 per cent being the least investment rate of TNMB from July 2010 to March 2013.

The work in the first two kilometres was not taken up due to non-handing over of the site to the contractor. On request from the contractor, the work on the above reach was foreclosed (May 2012) due to internal disputes in the Department. The works in other reaches (km 2/0 - 5/0 and 5/0-7/3) were completed (March 2012) at a cost of ₹ 2.20 crore as contemplated in the revised estimate. The work in the stretch (km 0/0 - 2/0) now taken up as an intermediate lane with State funds was awarded to a contractor for a value of ₹ 1.53 crore (November 2013).


Audit observed that

- Constraints affecting widening of the road from single lane to double lane were visualised only after ten months from the award of the work. Highways Department failed to ensure the availability of land and tie-up with TWAD Board for removal of water pipelines before commencement of work to keep the work site ready for road development.
- The widening work in the entry point (km 0/0 - 2/0) which was not taken up under CRF was subsequently approved in July 2013 after a delay of one year under Comprehensive Road Infrastructure Development Programme (CRIDP), a State funded scheme at an estimated cost of ₹ 1.75 crore thereby overburdening the State exchequer. However, this widening is only as an intermediate lane.
- The incorrect certification furnished by CE to GOI without proper investigation resulted in non-availing of GOI funds to the tune of ₹ 4.57 crore (₹ 6.77 crore - ₹ 2.20 crore).
- No work was carried out in the stretch 0/0 – 2/0 km. While the middle stretch (2/0 – 5/0 km) was converted to an intermediate lane, the final stretch (5/0 – 7/3 km) was only strengthened and not widened. This defeated the twin objectives of providing an alternate route to an important pilgrim centre and decongesting the existing route passing through Nagercoil Town even after incurring an expenditure of ₹ 2.20 crore on the work.

Selection of road work without proper preliminary work resulted in non-availing of GOI assistance of ₹ 4.57 crore (₹ 6.77 crore – ₹ 2.20 crore), besides rendering an expenditure of ₹ 2.20 crore unfruitful.

Government replied (January 2014) that the work had to be foreclosed in view of the site conditions and practical problems involving sensitive issue of continuous supply of drinking water to the public. However, Department was aware of site conditions while recommending the above work for execution under RCRF.

**Chennai**  
**Dated 19 April 2014**

  
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**(Economic and Revenue Sector Audit)**  
**Tamil Nadu**

**Countersigned**

**New Delhi**  
**Dated 29 April 2014**

  
**(SHASHI KANT SHARMA)**  
**Comptroller and Auditor General of India**