

2.1 Mid-Day Meal Scheme

Executive Summary

The National Programme of Nutritional Support to Primary Education commonly known as Mid-Day Meal Scheme (MDMS) was launched as a centrally sponsored scheme on 15 August 1995. The scheme was intended to boost the universalisation of primary education (classes I to V) by increasing enrolment, retention and attendance and simultaneously improving nutrition status of students in primary classes. The scheme was revised in September 2006 and extended to upper primary stage (classes VI to VIII) children from 2008-09.

Performance Audit on the implementation of Mid-Day Meal Scheme in the State of Chhattisgarh for the period 2010-11 to 2014-15 revealed several deficiencies. Some of the important audit findings were as follows:

- During the period 2010-11 to 2014-15 Directorate of Public Instruction incurred an expenditure of ₹ 2386.37 crore out of available fund of ₹ 2665.79 crore on implementation of the scheme. There was consistent savings during 2011-12 to 2014-15 under cooking cost, honorarium to cook-cum-helper and Monitoring, Management and Evaluation funds which indicates that the budgeting was not based on actual requirements.

(Paragraph 2.1.8.1)

- Mid-Day Meals were not served in all schools as approved by the Programme Approval Board. During the period 2010-11 to 2014-15, 233 schools were not covered under the scheme. There was shortfall of one to 154 days against the minimum target of 210 days in providing mid-day meal in 210 test checked schools.

(Paragraph 2.1.9.2 & 2.1.10.3)

- The enrolment of children in the MDM covered schools registered a consistent decline by 22 *per cent* over the years from 45.23 lakh children in 2010-11 to 35.43 lakh children in 2014-15. In contrast, the enrolment of children in private schools witnessed an increase of 34 *per cent* from 8.25 lakh to 11.03 lakh during the same period indicating that MDM in itself was not a sufficient condition to retain children in schools, and that there was a growing section looking for quality in education. The enrolment in test checked districts also did not improve and consistently declined (one to 26 *per cent* except Bastar) during the period. Declining trend in enrollment indicates that the scheme failed to retain children in schools.

(Paragraph 2.1.9.3 and 2.1.9.6)

- As per guidelines, joint inspections of food grains were to be carried out by *Nagrak Apoorti Nigam* and the implementing agency to ensure supply of Fair Average Quality of food grains. However, this has not been undertaken in any of

the test checked districts. In the absence of any inspection, it could not be ensured whether supplied food grains were of at least Fair Average Quality.

**(Paragraph 2.1.10.4)**

- As per the scheme guidelines, transportation cost for delivery of food grains upto the doorstep of schools was to be paid at the flat rate of ₹ 75 per quintal or actual expenditure whichever is less. Although food grains were not transported up to doorstep of schools, the payment of transportation cost was made on the flat rate of ₹ 75 per quintal instead of *pro rata* basis leading to avoidable excess payment of ₹ 57.09 lakh to *Nagrik Apoorti Nigam*.

**(Paragraph 2.1.10.8)**

- In 8932 schools, the Mid-Day Meal was cooked in open areas/classrooms in unhygienic conditions as the work of construction of kitchen-cum-store was not completed in 6985 schools and not commenced in 1947 schools. Funds amounting to ₹ 57.16 crore were blocked on these kitchen-cum-store.

**(Paragraph 2.1.10.10(i))**

- Funds worth ₹ 17.58 crore for cooking cost and honorarium to cook-cum-helper were withdrawn from treasury in anticipation of expenditure to avoid lapse of the fund. The said amount was parked in bank accounts instead of depositing in Major Head 8443 under K-deposit in contravention to instructions of Government of Chhattisgarh. Parking of huge amount in banks without immediate requirement frustrated the objective of the scheme as the money could not be utilised on other components of the scheme.

**(Paragraph 2.1.10.10 (viii))**

- The State Level Steering-cum-Monitoring Committee (SLSMC) aimed to oversee the implementation of MDMS was required to hold meetings at least once in six months. There were shortfalls in the meetings of SLSMC as only five meetings were held against the minimum target of ten during 2010-11 to 2014-15. Thus, the shortfall in the number of meetings gave less opportunity to SLSMC to review the status of implementation of MDMS rendering the monitoring ineffective.

**(Paragraph 2.1.12.1)**

### 2.1.1 Introduction

The National Programme of Nutritional Support to Primary Education commonly known as Mid-Day Meal Scheme (MDMS) was intended to boost the universalisation of primary education (classes I to V) by increasing enrolment, retention and attendance and simultaneously improving nutrition status of students in primary classes. The scheme was extended to upper primary stage (classes VI-VIII) children from 2008-09. The revised MDMS was meant to address the problems of hunger and education faced by children of India by:

(i) Improving the nutritional status of children in classes I-VIII<sup>1</sup> in Government, local body and Government aided schools and Education Guarantee Scheme (EGS)/Alternate and Innovative Education (AIE) centres.

<sup>1</sup> Upper primary stage (classes VI to VIII) in Educationally Backward Blocks from 2007-08 and from the year 2008-09 across the country.

- (ii) Encouraging poor children belonging to disadvantaged sections to attend school more regularly and helping them concentrate on classroom activities.
- (iii) Providing nutritional support to children of primary and upper primary stage in drought-affected areas during summer vacation.

To achieve the above objectives, the MDMS envisages providing cooked meal with nutritional value of 450 calories (protein 12 grams) at Primary level<sup>2</sup> and 700 calories (protein 20 grams) at Upper Primary level<sup>3</sup> and adequate quantities of essential micronutrients.

### 2.1.2 Organisational set up

Secretary, School Education Department, Government of Chhattisgarh (GoCG) oversees the implementation of the scheme at the State level. The Director Public Instruction (DPI) is in-charge of the implementation of MDMS. A separate wing headed by one Assistant Director monitors the scheme at the State level while District Education Officers (DEOs) and Assistant Commissioner Tribal Development (ACTD) oversees the implementation of the scheme at the District level. Block Education Officers (BEOs) oversees the implementation of the scheme at Block level. Head Masters/Mistress (HMs) of the schools implements the scheme at the school level. A flow chart of implementation of the MDMS is shown in **Appendix-2.1.1. Nagrik Apoori Nigam (NAN)** supplies the food grains in the State.

### 2.1.3 Audit objectives

Performance Audit of the scheme was carried out to verify whether:

- the scheme was being implemented in a planned manner so as to cover all the eligible primary and upper primary level school children;
- the scheme achieved its objective of enhancing enrolment, retention and attendance in primary education;
- the scheme achieved its objective of improving the nutritional status of children in the primary/upper primary classes;
- the funds allocated were being utilised in an economic and efficient manner; and
- the programme was monitored effectively.

### 2.1.4 Audit Criteria

The audit criteria were derived from the following sources:

- Scheme guidelines on MDMS 2006;
- Orders, notifications, circulars, instructions issued from time to time by State/ Central Government and monitoring committee reports;
- General Financial Rules; and
- Chhattisgarh Store Purchase Rules.

<sup>2</sup> Class 1 to V-Food grains-100 grams, Pulses-20 grams, Vegetable-50 grams and Fat-5 grams (24 November 2009).

<sup>3</sup> Class VI to VIII-Food grains-150 grams, Pulses-30 grams, Vegetables-75 grams and Fat-7.5 grams (24 November 2009).

### 2.1.5 Audit Scope

The Performance Audit covering the period from 2010-11 to 2014-15 was conducted between April and August 2015 and involved test-check of records of the DPI, DEOs, Chief Executive Officer (CEO) of Zilla Panchayats (ZPs) and ACTD of Bastar, Durg, Gariyaband, Janjgir-Champa, Mahasamund, Raigarh and Rajnandgaon districts. Besides, 26 BEOs and Janpad Panchayats (JPs) and 210 schools (146 Primary schools and 64 upper primary schools) were also covered.

### 2.1.6 Audit approach and methodology

An entry conference was held on 6 May 2015 with the Secretary, School Education Department, GoCG, wherein the audit objectives, scope, criteria and methodology of the Performance Audit were discussed.

Besides scrutiny of records of test checked units, audit approach included physical verification of 210 schools and collection of information through questionnaires.

An exit conference was held on 10 November 2015 to discuss the various issues raised by audit. The replies furnished by the Secretary during discussion have been incorporated in the Report.

### 2.1.7 Audit Sampling

In first stage, seven districts out of 27 have been selected by Probability Proportionate to Size without Replacement (PPSWOR) method with number of schools as size measure in the districts. In second stage, 210 schools out of 14948 in the selected seven districts were selected using Simple Random Sampling without Replacement (SRSWOR) method. Details of the selected schools are specified in **Appendix-2.1.2**.

### 2.1.8 Financial Management

Government of India (GoI) provides assistance and GoCG releases its share<sup>4</sup> accordingly for implementation of the scheme. GoCG provides fund in the budget of the School Education Department. The DPI allots fund to Commissioner Tribal Department (CTD) for re-allocation to ACTDs at District level in order to implement the scheme in 85 tribal blocks. The DPI directly allots funds to DEOs for implementing the scheme in 61 blocks which in turn transfers it to Self Help Groups (SHGs) for meeting cooking cost and payment of honorarium to Cook-cum-Helpers (CCHs). The DPI also provides funds to CTD and DEOs towards construction of kitchen cum store in schools. Funds were also transferred by DPI to NAN for cost of food grains and transportation cost of food grains in the State.

#### 2.1.8.1 Budget estimate and expenditure

The actual expenditure *vis-à-vis* the funds received from GoI and GoCG for MDMS during the period 2010-11 to 2014-15 was as detailed in table below:

**Funds were not fully utilised by the State**

<sup>4</sup> Food grains, Transportation of food grains, Management Monitoring & Evaluation and kitchen devices (GoI share 100 per cent) and cost of cooking, Infrastructure (kitchen-cum-store) and honorarium to cook-cum-helper (GoI share 75 per cent and GoCG share 25 per cent).

**Table 2.1.1: Budget allocation and expenditure**

(₹ in crore)

Year	Opening balance	Allocation			Expenditure			Closing balance
		GoI	GoCG	Total	GoI	GoCG	Total	
2010-11	13.34	316.50	116.58	446.42	326.50	119.67	446.17	0.25
2011-12	0.25	405.97	145.33	551.55	378.90	135.43	514.33	37.22
2012-13	37.22	391.75	138.58	567.55	357.91	129.55	487.45	80.10
2013-14	80.10	343.34	138.31	561.75	323.54	133.66	457.20	104.55
2014-15	104.55	300.25	133.72	538.52	340.36	140.86	481.22	57.30

(Source: Information furnished by DPI)

From the above table, it is evident that during the years 2010-11 to 2014-15, department was not able to utilise the entire funds available. The savings during these years were mainly due to non-utilisation of funds under cooking cost, honorarium to Cook-cum-helper and Monitoring, Management and Evaluation (MME) funds.

### 2.1.8.2 Delayed release of financial assistance to implementing agencies

As per MHRD instruction, the Education Department or the nodal department must release the central assistance as well as State Government matching contribution to the schools/ implementing agencies within a week of receipt of GoI funds.

It was however, noticed that during 2010-11 and 2011-12, fund was released to the implementing agencies with delay ranging from one to two months by the State Government.

On being pointed out, DPI stated that funds were released late due to delay in official procedure.

### 2.1.8.3 Diversion of funds

As per para 5.1.8 of MDM guidelines, the fund of MDM should not be utilised for other purposes. Audit observed instances of diversion of funds amounting to ₹ 26.22 lakh for salary of staff, repairing and exam work (DEO Janjgir-Champa ₹ 21.8 lakh and BEO Dabhara ₹ 4.42 lakh).

On being pointed out, Government stated (November 2015) that instructions will be issued for not diverting the scheme funds. However, the reply was silent about the diverted funds of ₹ 26.22 lakh.

### 2.1.8.4 Non-receipt of Utilization Certificates for ₹ 3.64 crore

An amount of ₹ 3.64 crore<sup>5</sup> was released to BEOs/Schools towards purchase of kitchen devices for schools during 2010-11 to 2013-14 with the direction to incur the expenditure by following the Store Purchase Rules and submit the utilisation certificates (UCs). BEOs were required to collect the UCs from schools and to send the same to DEOs. Scrutiny of records revealed that UCs were not received (July 2015) from any school. In the absence of UCs, audit could not ascertain the actual expenditure.

<sup>5</sup> DEOs of Durg ₹ 33.07 lakh, Gariyaband ₹ 48.45 lakh, Mahasamund ₹ 32.70 lakh, Raigarh ₹ 53.96 lakh, Rajnandgaon ₹ 84.23 lakh; ACTD of Bastar ₹ 101.40 lakh; BEOs of Dabhara ₹ 4.62 lakh and Nawagarh ₹ 5.63 lakh.

On being pointed out, Government stated (November 2015) that UCs were received in DEOs of Mahasamund, Raigarh, Gariyaband and Durg. However, copies of UCs were not furnished to audit. Moreover, the reply confirmed non receipt of UCs in DEO Rajnandgaon, ACTD Bastar, BEOs of Dabhara and Nawagarh.

#### **2.1.8.5 Non-accountal of accumulated interest of ₹ 55.81 lakh**

Para 5.1 (9) of the guidelines provide that release of 1<sup>st</sup> balance (2<sup>nd</sup> instalment) would be subject to previous year's unspent balance available with the State and unspent balance would be worked out after considering balance of stock and cash at all levels.

Audit observed that an amount of ₹ 55.81 lakh (ZP Mahasamund ₹ 22.88 lakh, DEO Raigarh ₹ 24.19 lakh, BEO Mainpur ₹ 6.90 lakh and JP Kharsia ₹ 1.84 lakh) earned as interest on the amount deposited at block/district level was not reported to the DPI while submitting UCs for its further adjustment in subsequent release. Further, the same was also not reported to the GoI in the UC.

On being pointed out, Government stated (November 2015) that in case of Raigarh the amount was lying in bank account and not utilised for other works and in case of Mahasamund, specific reply was not furnished. No reply was furnished in case of Mainpur and Kharsia.

Department should take action to consolidate the interest accrued and report the same to GoI for adjustment in subsequent releases.

### **2.1.9 Planning**

#### **2.1.9.1 Annual Work Plan and Budget**

According to scheme guidelines, Annual Work Plan and Budget (AWP&B) was to be prepared by the States based on information maintained at school level and aggregated in Block, District and State level. It envisages a bottom-up approach to planning. The GoCG was required to forward AWP&B to GoI by the end of February of each financial year.

We found in audit that DPI submitted the AWP&B to the GoI in time and it was approved by the MDM-Programme Approval Board (PAB) in time for all the years (June 2010, May 2011, May 2012, April 2013 and April 2014).

#### **2.1.9.2 Coverage of schools under the scheme**

The number of schools including Government, Government aided, AIE centres, *Madrassa* and National Child Labour Programme (NCLP) approved by the PAB for providing MDM *vis-a-vis* actual covered during the period 2010-11 to 2014-15 is shown in following table:

No instructions regarding utilisation of interest of ₹ 55.81 lakh was issued

**Table 2.1.2: Details of number of schools proposed, approved and covered for MDM**

Year	No. of schools proposed by DPI	Schools approved by PAB (GOI)	Schools actually covered in MDM	Excess(+)/ Less (-)
2010-11	47596	47596	47694	98
2011-12	47694	47694	47868	174
2012-13	47868	47868	47804	(-)64
2013-14	47804	47804	47879	75
2014-15	47879	47879	47710	(-)169

(Source: - Information collected from DPI and compiled by Audit)

The above table indicates that 233 schools (64 in 2012-13 and 169 in 2014-15) approved by PAB were less covered under the scheme. However, during 2010-11, 2011-12 and 2013-14 more number of schools than proposed by DPI/approved by PAB were covered under the scheme. This excess and less coverage shows the lacunae in planning.

Further, it was noticed that DPI had not obtained data relating to AIE centres during 2011-12 to 2014-15 and the same were not included in AWP&B. Moreover, 24 out of 93 *Kasturba Gandhi Balika Vidyalayas* (KGBVs) under *Rajiv Gandhi Shiksha Mission* (RGSM) were also not covered under MDMS during 2012-13 to 2014-15. Thus, these schools were deprived of getting food grains and central assistance.

Non-coverage of AIE centres/KGBVs indicates that the Department failed to comply with the provisions of the guidelines which aimed to cover all schools.

On being pointed out, Government agreed to audit observation and replied (November 2015) that data relating to operation of AIE schools and KGBVs would be obtained from *Sarva Shiksha Abhiyan* (SSA) and would be included in the AWP&B.

### 2.1.9.3 Impact on enrolment and coverage of children under the scheme

One of the objectives of the scheme is to improve enrolment at the primary and upper primary stages to boost the national objective of universalisation of primary and upper primary education. Students enrolled in private schools and MDM covered schools, approved and availed is as detailed in table below:

**Table 2.1.3: Details of number of children proposed, approved and covered**

Year	Enrolment in private schools/ (percentage increase w.r.t. 2010-11)	Enrolment in MDM covered schools/ (percentage decrease w.r.t. 2010-11)	PAB approval of children for MDM	Average beneficiary <sup>6</sup>	Excess/Less coverage (%)	Percentage of coverage w.r.t enrolment
1	2	3	4	5	6 (5-4)	7
2010-11	824695	4522747	3292221	3476451	184230 (6)	77
2011-12	946583 (15)	4044606 (-11)	4011645	3550093	-461552 (12)	88
2012-13	965519 (17)	3876271 (-14)	3716300	3248748	-467552 (13)	84
2013-14	1007103 (22)	3722404 (-18)	3365764	2867929	-497835 (15)	77
2014-15	1103156 (34)	3542832 (-22)	3212500	2980068	-232432 (7)	84

(Source:-Information collected from DPI and SSA)

<sup>6</sup> Average beneficiary= Total number of meals served/ Number of working days MDM served.

There are clear inferences from the data above. One, enrolment in MDM covered schools and private schools in primary/upper primary levels during 2010-11 to 2014-15, registered opposite trends. While enrolment increased by 34 per cent in private schools, it declined by 22 per cent in MDM covered schools clearly establishing that there is a growing section of population which prioritises quality education over free meals. Two, it also shows that a free MDM, by itself is not a sufficient condition to retain children in school, unless accompanied with improvement in teaching/learning outputs.

Further, the number of average beneficiaries also came down from 34.76 lakh in 2010-11 to 29.80 lakh in 2014-15, a drop of 14 per cent. It was also seen that coverage of children vis-a-vis enrolment was only between 77 and 88 per cent. The AWP&B approved by the PAB also did not reflect the actual beneficiary in previous years.

On being pointed out, Government stated (November 2015) that attitude of parents towards private schools, increase in number of private schools and lack of correctness in the database of previous years were the main reasons for drop in enrolment of children. Further, Government replied that PAB had sanctioned less number of beneficiaries in 2009-10 and hence, the number of beneficiaries actually availed MDM was more than the PAB approved.

However, the reply did not mention the reasons for less coverage of children.

#### 2.1.9.4 Coverage of children in test checked schools

The total number of beneficiaries in 210 test checked schools in seven districts for the years 2010-11 to 2014-15 is detailed in table below:

**Table 2.1.4: Details of coverage of children in test-checked schools**

Name of the district	No. of test checked schools	Beneficiaries percentage increase/ decrease with respect to previous year				
		2010-11	2011-12	2012-13	2013-14	2014-15
Bastar	30	280968	312568(11)	298191(-5)	311667 (5)	330767 (6)
Mahasamund	45	845049	858474(2)	836776(-3)	799486 (-4)	720058 (-10)
Raigarh	45	427720	522906(22)	525473(1)	498406 (-5)	543422 (9)
Rajnandgaon	45	882623	895884(2)	900131(1)	878651 (-2)	797772 (-9)
Durg	15	306255	298791(-2)	280457(-6)	270544 (-4)	264281 (-2)
Gariyaband	15	135070	134101(-1)	143126(7)	132587 (-7)	125943 (-5)
Janjgir-Champa	15	196422	184473(-6)	184948(1)	187541 (1)	188067 (28)

(Source: - Information collected from schools & compiled by audit)

The beneficiary coverage in the seven districts did not show a clear trend. While Bastar (except 2012-13), Janjgir-Champa (except 2011-12) and Raigarh (except 2013-14) showed an increasing trend, it consistently declined in Durg, Mahasamund (except 2011-12), Rajnandgaon (except 2011-13) and Gariyaband (except 2012-13). The reason for less coverage was attributed to the rising interest of parents towards private schools.

#### 2.1.9.5 Non-reconciliation of data in respect of student enrolment and number of schools

The data pertaining to the number of primary schools/upper primary schools as well as number of students in the State are maintained by both DPI as well as



SSA. It was however, observed that there was wide variations in the figures provided by both DPI and SSA as detailed in following table:

**Table 2.1.5: Comparative data of no. of schools and enrolment under DPI and SSA**

Year	No. of schools		Enrolment of children	
	As per DPI	As per SSA	DPI	SSA
2010-11	47694	46343	4522747	3720068
2011-12	47868	46913	4044606	3753087
2012-13	47804	46951	3876271	3728540
2013-14	47879	47215	3722404	3531426
2014-15	47710	47216	3542832	3403395

(Source: Information collected from DPI and SSA & compiled by audit)

It could be seen from the above table that during the period 2010-11 to 2014-15, there was persistent differences in the figures furnished by both DPI and SSA which requires reconciliation. Due to inconsistencies in the figures, veracity of data pertaining to coverage of schools under MDMS seems doubtful.

On being pointed out, Government agreed (November 2015) to audit observation and stated that efforts will be made to synchronise the Unified District Information System for Education (U-DISE) data maintained by SSA with MDM school data base.

#### 2.1.9.6 Impact of MDMS on enrolment in test checked schools

We test checked enrolment figures in 210 test checked schools in seven districts and the details are shown in the table below:

**Table 2.1.6: Comparative statement of enrolment**

Name of district	No. of schools test checked	Enrolment of children with percentage increase/decrease with respect to 2010-11				
		2010-11	2011-12	2012-13	2013-14	2014-15
Bastar	30	2094	2077(-1)	2054(-2)	1942(-7)	2167(3)
Mahasamund	45	5117	5002(-2)	4919(-4)	4809(-6)	3801(-26)
Raigarh	45	3101	3276(6)	3341 (8)	3276(5)	3072(-1)
Rajnandgaon	45	5307	5273(-1)	5233(-1)	5171(-3)	4781(-10)
Durg	15	2143	2100(-2)	2008(-6)	1716 (-21)	1668(-22)
Gariyaband	15	806	757(-6)	727(-10)	697(-15)	675(-16)
Janjgir-Champa	15	1237	1224(-1)	1167(-6)	1110(-11)	1094(-12)

(Source:-Information collected from schools & compiled by audit)

As seen from the above table, the enrolment of students had declined consistently in all the years in all the test checked districts except Bastar (2014-15) and Raigarh. In Raigarh there had been a fluctuating trend. The decline rate ranged between 26 (Mahasamund) to one *per cent* (Raigarh) in 2014-15 with respect to 2010-11. The declining trend in enrolment showed that despite implementation of the MDMS, the schools in test checked districts have not been able to enhance the enrolment of students.

On being pointed out, DPI stated that no effective plan had been developed in order to increase enrolment under MDMS.

#### 2.1.9.7 Dropout of children

During the period 2010-11 to 2014-15, both the nodal department and test checked districts did not maintain any data regarding dropout of children.

However, as per data obtained from SSA there was a decreasing trend in the number of drop out children as detailed in following table:

**Table 2.1.7:- Details of drop out of children in the State**

Year	Enrolled	No. of Drop out	Drop out percentage
2010-11	3720068	178490	4.8
2011-12	3753087	128185	3.4
2012-13	3728540	68860	1.8
2013-14	3531426	76204	2.2
2014-15	3403395	50373	1.5

(Source: - Information provided by SSA & compiled by audit)

As could be seen from the above table, the dropout rate of students in the State steadily improved even though there was an overall decline in enrolment.

On being pointed out, DPI replied that data relating the dropout was maintained by SSA and involvement of staff for the work would disrupt the main work of MDMS. Hence, reasons for dropout were not furnished.

The department should strengthen its database regarding number of schools and students and arrive at a firm figure so that better planning can be done for MDMS. The department may ensure that all the schools are covered under the scheme and meals are served in all the schools for a minimum prescribed period of 210 days in a year.

### 2.1.10 Implementation of the scheme

#### 2.1.10.1 Allocation of food grains

According to para 2.3 of the MDM guidelines, GoI provides food grains (rice) free of cost to the State at the rate of 100/150 grams (PS/MS) per child per school day, the cost of which was reimbursed to the NAN. GoI allocates and releases food grains for a financial year according to the district wise requirement on the basis of the number of children enrolled in primary/upper primary classes as on 30 September of the previous year/anticipated enrolment of the current year as intimated by the GoCG.

The quantity of food grains allocated, lifted and utilised in the State during the period 2010-11 to 2014-15 was as detailed in table below:

**Table 2.1.8: Details of allocation, lifting & utilisation of food grains**

(Quantity in MT)

Year	Allocated by GoI	Lifted by NAN	Utilised	Shortfall (-)/Excess (+)/ (Percentage)
1	2	3	4	5 (3-2)
2010-11	81363.87	84683.35	96045.98	3319.48(4)
2011-12	105644.18	98785.92	98498.07	(-)6858.26(6)
2012-13	106107.08	91007.96	87761.78	(-)15099.12(14)
2013-14	95151.10	79541.96	78130.66	(-)15609.14(16)
2014-15	91785.00	78921.03	78725.01	(-)12863.97(14)
<b>Total</b>	<b>480051.15</b>	<b>432940.23</b>	<b>439161.5</b>	

(Source: Information collected from DPI & compiled by audit)

It was noticed that during 2010-11, 3319.48 MT (4 per cent) food grains were lifted in excess of allotted quantity. The fact of utilisation of the excess quantity could not be verified due to lack of data and records at DPI level.

The food grains lifted was 90 per cent of the allocation

On being pointed out, Government replied (November 2015) that the reason for excess lifting during 2010-11 was due to incorrect projection of the beneficiaries and the approval of beneficiaries by PAB was less than previous year's enrolment. However, Government did not correct the figure of 2010-11 as of October 2015 to ascertain the actual differences.

### 2.1.10.2 Non-availability of buffer stock of food grains with service providers

Para 2.6 of guideline for decentralisation (February 2010) envisaged that district administration should ensure that every year consuming units maintain a buffer stock of food grains required for a month to avoid disruption due to unforeseen exigencies.

Audit observed that out of 210 test checked schools, buffer stock of food grains was not available in 55, 47, 48, 48 and 81 schools during 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 respectively.

On being pointed out, Government stated (November 2015) that due to storage problems, buffer stock of food grains was not being maintained.

Fact remains that non availability of buffer stock is one of the reasons for disruption in serving of MDM as discussed in subsequent paragraph.

### 2.1.10.3 Disruption in serving of cooked meals

During the period 2010-11 to 2014-15 as per approval of PAB the MDM was to be served in 230/240 days. In November 2001, the Honourable Supreme Court directed all State Governments to provide each child in every Government and Government Assisted primary schools to prepare MDM with a minimum content of 700 calories and 8-12 grams of protein each day of school for a minimum of 210 days in a year.

However, it was observed that even the Honourable Supreme Court guidelines of 210 days was not achieved in 11 to 29 schools out of 210 test checked schools as detailed below:

**Table 2.1.9: Details of disruption in serving of MDM**

Year	No of schools test checked	No. of schools where meals served for less than 210 days	Range of shortfall days	Percentage of shortfall
2010-11	210	29	2-77	14
2011-12	210	16	1-65	8
2012-13	210	18	1-154	9
2013-14	210	12	1-80	6
2014-15	210	11	1-49	5

(Source: -Information collected from schools & compiled by audit)

Thus, in spite of the target of 230/240 days, five to 14 *per cent* of schools could not provide MDM even for 210 days. The shortfall of the days ranged from one to 154 days.

On being pointed out, Government replied (November 2015) that local festival, rain, excess temperature in summer (16 June to 30 June), illness of CCHs and non-availability of food grains may be the reasons of disruption in serving of MDM.

However, the fact remains that the children of 86 schools were deprived of MDM for minimum period of 210 days during 2010-11 to 2014-15.

#### **2.1.10.4 Inspection of quality of food grains lifted and Preservation of food grains sample**

Para 3.6 of guidelines stipulated (February 2010) that the District collector/CEO of ZPs should ensure that the food grains received from NAN were at least of Fair Average Quality (FAQ). For this purpose, joint inspections were to be conducted by a team consisting of representatives of both NAN and the implementing agency. NAN should also keep samples of such food grains supplied by it for future verification for three months for analysis in case of any complaints.

It was found in audit that no team was appointed by the District Administrations in all the seven districts for joint inspections by NAN and GoCG to ensure issue of quality food grains to districts. In absence of any confirmation of joint inspection team, it could not be verified whether supplied food grains were of at least FAQ.

On being pointed out, Government accepted (November 2015) the audit observation. However, no assurance was given to constitute teams to conduct inspections as required.

#### **2.1.10.5 Irregular engagement of SHGs**

As per para 3.9.1.{ii} of guideline 2006, the voluntary agencies should be a body that is registered under the Societies Registration Act or the Public Trust Act, and should have been in existence for a minimum period for two years. As per instructions of School Education Department, the SHGs are to be engaged by the Sub-Divisional Magistrate (SDM). Food Security Department, GoCG also issued instructions (October 2012) that the agencies involved in providing MDM in schools should compulsorily be registered as a food supplier under Section 31 of Food Security and Standard Act, 2006.

It was observed that none of the SHGs engaged were registered under the Food Security Act. Further, 1510 SHGs engaged by DEO Gariyaband (1273 SHGs), BEOs of Mahasamund (17 SHGs) and Nawagarh (220 SHGs) were not approved by SDM which was infringement of provisions of the rules.

On being pointed out, Government replied (November 2015) that the registration of SHGs under Food Security and Standard Act is not possible as the SHGs may not fulfil the required criteria.

Reply confirmed that the SHGs were not registered under the Food Security and Standard Act in violation of the guidelines.

#### **2.1.10.6 Engagement of cook-cum-helper**

As per instructions issued by DPI (February 2012), the implementing agency (SHGs) was responsible for engagement of CCHs. As per norms, one CCH for 25 children, two CCHs for 26-100 children and thereafter for every additional 100 children one CCH was to be engaged.

Scrutiny of records revealed that only 91876 CCHs were engaged against the requirement of 99235 in the State with a shortfall of 7359 CCHs.

In the test checked 210 schools in seven districts, the shortfall in engagement of CCHs is as detailed below:

**Table 2.1.10: Details of shortfall in engagement of CCHs**

Year	No of schools having deficiency of one CCH	No of schools having deficiency of two CCHs
2010-11	90	54
2011-12	79	33
2012-13	69	10
2013-14	60	4
2014-15	40	8

(Information collected from schools and compiled by audit)

From the above table, it can be seen that during the period 2010-11 to 2014-15 the number of schools with deficiency of one CCH ranged from 40-90 whereas the number of schools with deficiency of two CCHs ranged from four to 54 schools during the same period.

On being pointed out, Government accepted (November 2015) the audit observation and stated that instruction had been issued to schools through DEOs to engage CCH as per norms.

#### **2.1.10.7 Meals not served as per approved menu**

According to para 3.5 (IV) of guidelines, the district nodal agency should take responsibility for developing indicative menus using locally available and culturally acceptable food items. Uniform weekly menu should be prescribed for the State by the SLSMC for primary and upper primary schools by ensuring nutritional values as stipulated in the scheme guidelines. However, SMC in its meeting (March 2011) decided that menu may be fixed at district level by ensuring nutritional values. Accordingly, the DPI had prescribed a menu as shown in **Appendix-2.1.3**.

During physical verification of 210 test checked schools, it was noticed that in 30 schools (14 per cent) MDM was not served as per approved menu.

On being pointed out, Government accepted (November 2015) the audit observation and replied that order had been issued (May 2015) for fixing of menu as per norms fixed by SMC in March 2011 by ensuring the prescribed quantity of protein, calorie with the availability of local food.

#### **2.1.10.8 Non-payment of transportation cost on pro rata basis to NAN**

According to para 1.8 (ii) of the scheme guidelines, the grant of transportation cost was based on flat rate of ₹ 75 per quintal for the State as a whole or actual expenditure (whichever is less). Further, the transportation agency was required to transport the food grains to the doorsteps of school.

Scrutiny of records revealed that the transportation agency provided food grains upto Public Distribution System (PDS) Centres only and the SHGs lifted the food grains from PDS centre and transported the same up to school at their own expenses. The DPI made payment to NAN on the basis of total quantity of food grains lifted at a flat rate of ₹ 75 per quintal. Since, the food grains were not transported up to schools, payment at the rate of ₹ 75 per quintal to NAN had resulted in avoidable excess payment of ₹ 57.09 lakh (4391615 quintals x ₹ 13).

On being pointed out, Government replied (November 2015) that efforts would be made to make the payment of transportation cost on reduced rate of ₹ 62 per quintal to NAN. The matter had been pending with Government for approval.

### 2.1.10.9 Non- implementation of MDMS in drought affected areas

Para 5.1(4) of MDM guidelines stipulated that MDM would also be served in schools during summer vacations in areas which were formally notified by Government as drought affected area. Further, in case notification declaring an area as drought affected was issued at a time when summer vacation had already commenced or was about to commence, State Government should provide MDM in primary schools located in such areas in anticipation of release of central assistance.

The Disaster Management Authority, Department of Revenue GoCG had declared five blocks of Koriya district as drought affected in 2011-12. However, the scheme was not in operation in 960 schools in these blocks during summer vacation and students of these schools were deprived of MDM.

On being point out, DPI stated that as the students were not attending school during summer vacation, MDM was not provided. The reply was not acceptable as it was in violation of Scheme guidelines.

Rather, the authorities should have made efforts to intimate the students about the availability of MDM during summer vacation.

### 2.1.10.10 Other irregularities

#### (i) Blockage of funds worth ₹ 57.16 crore due to incomplete/non-commencement of work of kitchen-cum-store

Para 2.6 of the guideline and MHRD instructions (December 2009) specified that provision of infrastructure such as kitchen-cum-store in the schools was the responsibility of the State. Fund required for construction of kitchen-cum store was to be shared in the ratio of 75:25 between GoI and GoCG.

Scrutiny of AWP&B of 2015-16 revealed that, an amount of ₹ 323.31 crore was made available (March 2012) for construction of Kitchen-cum-store in 47266 schools. However, the work was completed only in 38334 schools and in rest 8932 schools the MDM was cooked in open areas/classrooms as the work of construction of kitchen-cum-store was in progress in 6985 schools and yet to commence in 1947 schools as of October 2015. This resulted in blockage of ₹ 57.16 crore (₹ 41.91 crore<sup>7</sup> on 6985 incomplete kitchen-cum-stores and ₹ 15.25 crore due to non-commencement of the work in 1947 schools).

Nineteen per cent of sanctioned kitchen-cum-store was yet to be constructed



In absence of kitchen-cum-store, MDM is prepared under stairs in Mahasamund.

On being pointed out, Government replied (November 2015) that efforts will be made to complete the construction works of kitchen-cum-store.

<sup>7</sup> Calculated at the minimum rate of ₹ 60000 X 6985 kitchen-cum-stores.

**(ii) Injudicious release of ₹ 1.65 crore for construction of kitchen-cum-store**

Scrutiny of records of DEO Mahasamund revealed that DEO released (August 2009, December 2011, June 2012, July 2012 and May 2013) ₹ 1.65 crore to ZP, Mahasamund for construction of 191 kitchen-cum-stores in blocks of Bagbahra, Mahasamund and Pithora. However, the amount was lying unutilised in ZP, Mahasamund as funds were released for those schools, where kitchen-cum-stores were already in place or funds for construction of kitchen-cum-store had already been sanctioned. Further, the amount has not been returned to DEO Mahasamund by ZP Mahasamund as of July 2015.

On being pointed out, Government replied (November 2015) that direction was being issued to deposit the fund into Government account.

**(iii) Excess release of ₹ 47.65 lakh for construction of kitchen-cum-store**

The GoI revised (March 2012) the rates for construction of kitchen-cum-store as detailed below:

**Table 2.1.11: Details of revised rate for construction of Kitchen-cum-Store**

Sl. No.	No. of students	Area of kitchen shed (in Sq. feet)	Amount to be released (in ₹)
1	Upto 100	20	75000
2	101 to 200	24	90000
3	201 to 300	28	110000
4	301 to 400	32	120000
5	Above 501	38	135000

Scrutiny of records revealed that DEOs of Bastar and Durg had released funds totaling ₹ 1.70 crore (February 2014) and ₹ 81.25 lakh (March 2013) for construction of kitchen-cum-stores in 176 and 63 schools respectively. However, the amount was released overlooking the availability of students. This had resulted in excess release of ₹ 47.65 lakh<sup>8</sup> for construction of kitchen-cum-store as detailed in **Appendix- 2.1.4**.

On being pointed out, Government accepted (November 2015) the audit observation and replied that recovery of excess amount would be made and these would be avoided in future.

**(iv) Non-utilisation of ₹ 48.49 lakh provided for purchase of kitchen devices**

An amount of ₹ 48.49 lakh was released (February 2015) by DPI to DEO Raigarh for purchase of kitchen devices with condition to complete the procedure of purchase and submit the UC by March 2015. Scrutiny of records revealed that fund was not put to use till July 2015.

On being pointed out, Government replied (November 2015) that purchase committee was formed by the Collector and matter was under process. However, reasons for delay were not furnished.

<sup>8</sup> Bastar-BEOs of Tokapal ₹ 1.95 lakh, Jagdalpur ₹ 8.40 lakh, Bastar ₹ 6.15 lakh, Bakawand ₹ 4.2 lakh, Bastnaar ₹ 4.2 lakh, Lohandiguda ₹ 0.9 lakh, Darbha ₹ 6.60 lakh and Durg-Patan ₹ 15.25 lakh.

**(v) Irregular purchase of kitchen devices**

As per para 4.3.3 (ii) of Chhattisgarh Store Purchase Rule, the items costing between ₹ two and ₹ 10 lakh should be purchased by calling tender through two national level newspapers.

We observed that DPI had issued guidelines (March 2013) for purchase of kitchen devices at school level according to their requirement. An amount of ₹ 42.50 lakh was released (September 2013) by DEO Bastar to seven<sup>9</sup> BEOs with the direction to follow Chhattisgarh Store Purchase Rule. However, without going in for tendering process, BEOs purchased kitchen devices simply by calling three quotations from local market in contravention of relevant rules.

On being pointed out, Government accepted (November 2015) the audit observations.

**(vi) Embezzlement of ₹ 61.21 lakh**

As per the procedure adopted by BEO Rajnandgaon, for making payment to SHGs and CCHs, the cheque is given to the concerned Cluster Academic Coordinator (CAC) for disbursement in every month.

Scrutiny of records revealed that during 2005-06 to 2010-11, an amount of ₹ 81.81 lakh was given to CAC, Surgi but only ₹ 52.78 lakh was disbursed in cash and the remaining amount of ₹ 29.03 lakh was not disbursed. On this being pointed out, BEO stated that an FIR was lodged (February 2012) against the CAC on the charges for embezzlement of the money. However, no money had been recovered as of October 2015.

Scrutiny of records of BEO Chowki revealed that an amount of ₹ 32.18 lakh was withdrawn through 36 self cheques between 20 April 2011 to 24 June 2013 for payment to SHGs. However, the BEO after withdrawal did not make any payment. An FIR was lodged (December 2013) against the then BEO and Cashier for embezzlement of Government money.

On being pointed out, Government replied (November 2015) that FIR had been lodged and the case had been pending in the court. Government further stated that the matter will be examined regarding clearance of payment to SHGs and CCHs.

**(vii) Irregular remittance of unspent funds of ₹ 2.19 crore under revenue head and retention of ₹ 1.74 crore at the block level.**

As per instructions (March 2013) of GoCG, unspent balances of the scheme funds drawn from treasury and kept in bank account should be deposited to the concerned Major Head of account by reduction of expenditure under the Plan head.

Scrutiny of records of ACTD Raigarh revealed that unspent balances of cooking cost and honorarium to CCHs amounting to ₹ 2.19 crore were drawn during 2009-10 to 2013-14 from treasury and kept in bank account to avoid lapse of funds. Subsequently, ACTD, Raigarh deposited the unspent balance of ₹ 2.19 crore in revenue head "0250-other social schemes-02-receipts of SC/ST/OBC

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<sup>9</sup> Jagdalpur ₹ 6.5 lakh, Bastnar ₹ 4.75 lakh, Tokapal ₹ 6 lakh, Bastar ₹ 6.5 lakh, Bakawand ₹ 6.75 lakh, Darbha ₹ 6 lakh and Lohandiguda ₹ 6 lakh.

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welfare scheme in 2013-14 through challans instead of treating it as “reduction of expenditure” under the Plan head. However, unspent balance of 2014-15 amounting to ₹ 1.74 crore was not yet refunded and kept with BEOs till date (October 2015).

On being pointed out, Government accepted (November 2015) the audit observation and replied that directions would be issued in this regard.

**(viii) Excess drawal of fund in anticipation of expenditure of ₹ 17.58 crore**

As per instructions (May 2014) of GoCG, unspent balances of scheme funds drawn from treasury and kept in bank accounts was to be deposited in Major Head 8443 under K-Deposit. Scrutiny of records revealed the following irregularities:

- DPI provided (2013-14) funds to DEO, Mahasamund for disbursement of cooking cost (₹ 13.64 crore) and honorarium to CCHs (₹ 4.36 crore). To avoid lapse of funds, DEO withdrew (2013-14) the entire allotment from treasury and kept it in bank account, which was irregular. Further, unspent amount of ₹ 67.69 lakh remained in Bank account as of October 2015 and was still not transferred by DEO to K-Deposit in contravention of GoCG instructions.
- As per Chhattisgarh Financial Code, amount should not be withdrawn in anticipation of expenditure and unspent balances of previous year should not be utilised in the current year.

Scrutiny of records however revealed that, an amount of ₹ 16.90 crore<sup>10</sup> received during the period 2013-14 and 2014-15 towards payment of cooking cost, honorarium to CCHs and MME was not surrendered and lying in respective bank accounts.

On being pointed out, Government replied (November 2015) that in some Blocks, the amount had been spent in the next year. However, in others it was still parked in the Bank Accounts for which instructions have been issued to utilise the balance funds.

Reply of the Government was not acceptable as the unspent balance should have been deposited in Major Head 8443 under K-Deposit.

**(ix) Non-adjustment of rolling capital of ₹ 3.16 crore given as advance to SHGs**

The GoCG directed (June 2013) to give advance of cooking cost as a rolling capital in the month of April in every financial year to SHGs. The advance amount should be adjusted at the end of the financial year.

Scrutiny of records revealed that during 2012-13 to 2014-15, an amount of ₹ 3.16 crore was disbursed for cooking cost advance as a rolling capital to SHG's (DEO Mahasamund ₹ 1.63 crore, BEOs of Dongargaon ₹ 1.20 crore, Dabhara ₹ 31.19 lakh and Sarangarh ₹ 2.19 lakh). However, the amounts were not adjusted even after lapse of six to 42 months.

<sup>10</sup> DEO Raigarh ₹ 2.35 crore, DEO Janjgir-Champa ₹ 7.76 crore, ZP Janjgir-Champa ₹ 3.76 crore, ZP Durg ₹ 1.55 crore, BEO Bagbahara ₹ 1.33 crore, BEO Dongargaon ₹ 14.20 lakh and BEO Dabhara ₹ 1.40 lakh.

On being pointed out, Government replied (November 2015) that most of the advance had been recovered and the rest amount will be adjusted. However, no documentary evidence to show adjustment had been provided to audit.

**(x) Non-disposal of gunny bags**

As per para 5.1(iii) of MDM guidelines 2004, empty gunny bags should be disposed of by the School Management in a transparent manner so as to fetch the best possible price and their sale proceeds should be utilised only for further enrichment of the MDM programme. Accounts of such sale should be maintained in the manner to be prescribed by the State Government. The DPI had issued (June 2014) guidelines for sale of empty gunny bags.

It was observed that DEOs/BEOs had not complied with the instruction issued by DPI and the gunny bags were retained by the SHGs/NAN. During the period from 2010-11 to 2014-15, NAN had supplied 439161.5 MT of food grains to schools and the schools would have accumulated approximately 87.83 lakh (439161.5 MT X 20) empty gunny bags. Failure to comply with the instructions issued by DPI resulted in potential loss of revenue of ₹ 8.78 crore (assumed minimum price of ₹ 10 per gunny bag X 87.83 lakh gunny bags) to the State exchequer.

On being pointed out, Government accepted (November 2015) the audit observation and stated that reminder was issued to districts for sale of gunny bags.

The SHGs must be selected in the prescribed manner. Construction of Kitchen-cum-store should be completed within a time frame and close monitoring of the work be done by the department. Unspent amount lying with the DEOs/BEOs/other implementing agencies should be deposited in Government account immediately.

**2.1.10.11 Result of physical verification**

During physical verification of 210 test checked schools of seven districts, following deficiencies were noticed:

- In 30 (14 *per cent*) schools, there was no kitchen-cum-store and the MDM was being cooked in community hall, open area, make shift arrangements and in classrooms.
- Purified drinking water facility was not available in any of the schools and hand pumps and bore well were being used to provide water facility to children.
- In 121 schools, rice weighing machines were not available and implementing authorities were unable to ensure that quantity of food grains was provided to children as per prescribed norms.
- In 13 schools, sufficient serving plates (*Thali*) were not available.
- In none of the schools, CCHs wore aprons, scarves and gloves at the time of preparation and serving of meal.
- Health checkups of children were not conducted as per approved norms in 82 schools.

### 2.1.11 Impact of MDM

#### 2.1.11.1 Non-assessment of improvement in nutritional status of children

One of the scheme objectives is to improve the nutritional status of students. Scheme guidelines provides for undertaking study in regard to nutritional status by conducting tests by taking measurement of height and weight at the time of enrolment and during the commencement of each school year.

Audit observed that out of 47710 schools, weighing machine was available in 14134 and height recorder in 12288 schools while 32576 schools were deprived of weighing machines and 35422 schools of height recorders. In absence of height and weight machine, improvement in nutritional status of children could not be ensured.

On being pointed out, Government replied (November 2015) that nutritional status of children was not being assessed by School Education Department for want of specialists. This was done by Health Department and Women and Child Welfare Department. However, no reply was furnished for absence of weighing machine and height recorders which serves as basic tools for assessing the development status of children.

#### 2.1.11.2 Non-existence of system to test Calorie and protein content of meal

The scheme guidelines stipulate provision of cooked meals with a nutritional content on each school day.

In test checked schools, it was noticed that required calorie and protein content of the meals were not being checked.

On being pointed out, Government stated (November 2015) that no laboratory was available in the State to test the calorie and protein content of meal served. Thus the scheme guidelines were not adhered to.

#### 2.1.11.3 Impact of MDM on teaching

According to para 4.3 of guidelines<sup>11</sup> and as per instructions (April 2012) of DPI, the teachers were required to monitor timely provision of mid day meals to children, display of weekly menu on the wall of the school, meals served according to approved menu and should ensure that quality meals were served to children. The DPI engaged SHGs to prepare food and the teachers were not required to purchase ration, ingredients and vegetables.

Audit noticed in 210 test checked schools that the involvement of teacher/HM in preparation and serving of food was minimal (15-20 minutes) and therefore there was no impact on teaching.

Weighing machine and height recorder should be provided in all schools. System should be set up for testing of calorie and protein content of meal served.

<sup>11</sup> The teacher should not be assigned responsibilities that will impede or interfere with teaching. However, teachers should be involved in ensuring that good quality, wholesome food is served to children and the actual serving and eating is undertaken in a spirit of togetherness under hygienic conditions.

## 2.1.12 Monitoring, Inspection and Evaluation

Government of India issued (August 2010) instructions for setting up steering cum monitoring committee (SMC) at the State, District and Block levels to oversee the implementation of MDMS.

### 2.1.12.1 Shortfall in meeting

The State Level Steering cum Monitoring Committee (SLSMC) was to meet at least once in every six months to review the meetings of SMCs held at district level in addition to reviewing the normal functions of SMC. The findings and inspection reports were to be presented in the SMC meetings of all levels for suitable remedial measure.

**Shortfall in meeting of SMC, conducting inspection of schools, Mothers were not involved in checking of meal and cooked meal was not tested in laboratory**

Audit observed that during the period 2010-11 to 2014-15, the meetings of SLSMC was held five times against the target of ten resulting in shortfall of five meetings. It was further observed that SMCs were not constituted in the district of Janjgir-Champa and BEOs of Pithora, Nawagarh and Sarangarh. In rest six districts, although SMCs were constituted, records and minutes relating to convening of meetings were not maintained.

On being pointed out, Government stated (November 2015) that the shortage of meetings at SLSMC was due to busy schedule of higher officers. Discussion regarding MDM was being done in the meeting with Collector every week. Further, direction was being issued to districts to constitute monitoring committee.

Fact remains that the meeting of SLSMC to oversee the implementation of MDMS was not ensured.

### 2.1.12.2 Deficiencies in conducting inspection of schools

As per instructions (July 2013) of DPI, every DEO/BEO was required to inspect a minimum of 10 schools in a month and inspection report should be prepared and finding should be documented and placed before SMC meeting at all levels.

It was however, observed that inspections targets were not been achieved by DEOs of Durg, Gariyaband, Mahasamund and Rajnandgaon and BEOs of Dongargaon, Durg, Gariyaband, Patan, Rajnandgaon and Sarangarh. The records pertaining to inspection was not maintained in offices of the DEOs and BEOs.

As per norms, at least two inspections in a month have to be conducted by CAC. On the contrary, audit observed in 210 test checked schools that the inspection had not been carried out as per norms. It was also noticed that Inspection Reports were neither prepared nor submitted to the SMCs. This implied that findings during inspections were not documented and reported in SMC Meetings at any level for taking suitable remedial/corrective measures.

On being pointed out, Government replied (November 2015) that inspections were being conducted as per norms however, record were not maintained. Instructions will be issued for maintenance of record of inspection. However, the claims of Government that meetings were conveyed as per norms were not backed by documentary evidence.

### **2.1.12.3 Display of information under RTI Act**

As per Para 6.3 of the guidelines, information relating to receipt and issue of food grains, number of children who were served MDM and daily menu should be displayed on weekly/monthly basis in each school under the RTI Act. In 210 test checked schools, it was observed that the said information was not being displayed.

### **2.1.12.4 Non-involvement of mothers in checking quality of cooked meal**

Government of India vide letter (December 2005) empowers mother's to watch the feeding of the children. The physical presence of mother could ensure that a good quality meal is served every day without interruption. Audit observed that in none of the 210 test checked schools; mothers were involved in checking quality testing of food.

On being pointed out, Government stated (November 2015) that due to lack of awareness among the people; mothers were not involved in checking quality of cooked meal. However, no assurance was given to involve mother in future also by awareness drives.

### **2.1.12.5 Testing of cooked meals**

In terms of MHRD instructions (July 2013), the GoCG was required to engage recognised laboratory of reputed Institutes like the Council of Scientific and Industrial Research (CSIR)/National Accreditation Board for Laboratories (NABL) for testing of food samples on parameters such as microbiological presence or absence of E-coli to ensure quality meals served to students.

It was observed during the period 2010-11 to 2014-15; no institute was engaged for testing of food samples to ensure quality of the meal served to the students in the State.

It was observed that eight untoward incidents of food contamination occurred in the State due to which 116 children were hospitalized during the period of review. Had the State Government instructed to test the cooked meal in the laboratory, such incidences could have been avoided.

On being pointed out, Government replied (November 2015) that neither laboratory of NABL nor private laboratory was available in the State for testing of cooked meal. However, the State Government had issued instructions for using only packed cooking items for MDM after pointed out by audit.

### **2.1.12.6 Personal hygiene, cleanliness and health checkups of Cook cum Helpers**

As per guideline of MHRD (February 2015), CCHs should maintain personal hygiene and cleanliness and persons suffering from infectious disease should not be permitted to work. Audit observed that health check up of engaged CCHs were not done in the 210 test checked schools.

On being pointed out, Government replied (November 2015) that instructions regarding hygiene and cleanliness have been given during training programme. A documentary drama regarding cleanliness had also been prepared. However, the fact remains that health check up of CCHs were not conducted in any of the 210 schools test checked in audit.

### **2.1.12.7 Testing of water**

As per guideline of MHRD (February 2015) water used under the scheme should be tested for chemical as well as microbiological contamination. During physical verification of 210 test checked schools, the authorities failed to provide records regarding testing of water.

On being pointed out, DPI stated that no special method or standard was determined for testing of drinking water/ water used in kitchens of MDM.

The monitoring and supervision of scheme should be strengthened by ensuring that the minimum inspections are done at all levels. Hygiene issues should be monitored by the HMs in each school.

### **2.1.13 Conclusion and Recommendations**

- Mid Day Meals were not served in all eligible schools and 233 schools were not covered during 2012-13 and 2014-15. Moreover, the MDM was not served in 960 schools in five drought affected blocks of Koriya district during summer vacation in 2011-12. Shortfall in serving MDM ranged between one to 154 days against the minimum requirement of 210 days.

The Department may ensure that all the left out schools are covered under the ambit of MDMS and meals are served in all these schools for minimum prescribed period of 210 days in a year.

- There was consistent decline in the enrolment of students in the government schools from 45.23 lakh in 2010-11 to 35.42 lakh in 2014-15. In contrast, the enrolment of children in private schools increased from 8.25 lakh to 11.03 lakh during the same period indicating that MDM in itself was not a sufficient means to retain children in schools, and that there was a growing section looking for quality in education over meals. Declining trend in enrollment indicates that the scheme failed to retain children in schools.

The reasons behind declining enrollment should be ascertained and remedial measures should be taken. Moreover, efforts should be made to identify out of school children and to bring them within the ambit of the scheme.

- The required calorie and protein content being supplied to the children availing MDM could not be ensured in the State, as there was no system in place to ensure that specified ingredients were being provided to the children.

Menu should be fixed on the basis of nutritional contents as required under the scheme to achieve the objectives of the scheme of improving nutritional status of children.

- Despite availability of fund, the basic infrastructure of kitchen-cum-stores was not available in 8932 (19 *per cent*) schools covered under MDMS. Due to lack of infrastructure facilities like kitchen-cum-store, the food was being prepared in open areas and class rooms.

The convergence activities with other departments must be accelerated to overcome shortages of kitchen-cum-store by ensuring construction within a fixed time frame.

- Although the agencies involved in providing MDM in schools should compulsorily be registered as a food supplier under Section 31 of Food Security and Standard Act 2006, none of the selected SHGs were registered under Food Security and Standard Act.

The State Government should ensure that SHGs must be registered as per provisions of the Food Security and Standard Act 2006.

- The monitoring mechanism was deficient as less number of SLSMC and SMC meetings were held. Inadequate monitoring was a major bottleneck in implementation of the scheme. The funds earmarked for monitoring and evaluation had been grossly underutilised. There were shortfalls in inspection of schools by the officers at district and block level.

The monitoring and inspection mechanisms should be strengthened at all levels to prevent leakages and misappropriations. Prescribed number of meetings of SLSMC and SMC may be held for smooth implementation and monitoring of the scheme.

**FOOD, CIVIL SUPPLIES AND CONSUMER PROTECTION  
DEPARTMENT**

**2.2 Paddy Procurement and Custom Milling of Rice for Public  
Distribution System**

**Executive Summary**

Under the Decentralised Procurement (DCP) system, the States undertake the responsibility of procurement of food grains, its storage and distribution through Targeted Public Distribution System (TPDS). Chhattisgarh State Cooperative Marketing Federation (MARKFED) and Chhattisgarh State Civil Supply Corporation (CGSCSC) are the nodal agencies for procurement of paddy and rice respectively in Chhattisgarh State under DCP system. MARKFED purchases paddy through procurement centres of Primary Agriculture Co-operative Societies which is milled through private rice mills as well as mills owned by MARKFED. After custom milling of paddy and conversion to rice, the same is delivered to CGSCSC's stocking points by custom millers. Rice is issued under the TPDS and Other Welfare Schemes throughout the State and rice in excess of requirement is deposited with Food Corporation of India for central pool. The major audit findings during review of the paddy procurement and custom milling of rice process are:

- For purchasing paddy, Cash Credit (CC) had been availed by MARKFED from Banks at specified rates. In the event of non-clearance of CC by the end of *Kharif* Marketing Season (KMS), interest was payable beyond the specified period by MARKFED.

Due to non-disposal of paddy within the KMS, non-receipt of outstanding amount from Food Corporation of India (FCI)/CGSCSC, delay in submission of loss claim by MARKFED to GoCG, non-reconciliation of advances from District Central Co-operative Banks (DCCBs) and delay/non-deposition of rice in FCI and CGSCSC by the millers, MARKFED could not clear CC at the end of KMS which resulted in avoidable payment of interest of ₹ 844.68 crore.

**(Paragraph 2.2.6.1(a))**

- As per Custom Milling of Rice cost sheet prescribed by GoI, the permissible limit of driage was one *per cent* of the total quantity of paddy stored in storage centres. However, MARKFED was not able to dispose of the paddy within the prescribed time limit. This had resulted in extra cost of ₹ 96.80 crore as additional driage ranging from 1.31 to 1.62 *per cent* which was claimed as loss from GoCG.

**(Paragraph 2.2.6.2(a))**

- The transportation charges are reimbursed by the GoI as per CMR cost sheet and any loss on account of transportation charges above the norms are to be borne by the MARKFED which in turn would be reimbursed by GoCG. However, due to non-tagging of mills with the nearest procurement/storage centres, the paddy was issued to millers who were located far despite availability of paddy in nearer centres. This resulted in extra cost of ₹ 271.25 crore on account of transportation charges above the norms fixed by GoI.

**(Paragraph 2.2.6.2(b))**



- In each district MARKFED deputed District Marketing Officer (DMO) whose job is to oversee the procurement of paddy and utilisation of advances financed to DCCBs. It is the job of the DMO to reconcile its accounts with the accounts of District Central Co-operative Banks (DCCBs) and Primary Agriculture Co-operative Societies (PACs) every year. In case of short deposit of paddy by the PACs, the amount is to be deducted from the commission. However, DMOs failed to reconcile the accounts with DCCBs and PACs from 2010-11 to 2014-15 which resulted in non-reconciliation of advances worth ₹ 11729.18 crore.

**(Paragraph 2.2.6.3)**

- The gunny bags are purchased by MARKFED by placing indent to the Directorate General of Supplies & Disposals (DGS&D) Kolkata As per condition of supply orders; the supplier should replace the sub-standard/fungus affected gunny bags or refund equivalent cost of the bags. MARKFED failed to coordinate with DGS&D to realise the cost of substandard gunny bags valuing ₹ 23.74 crore leading to blockage of fund

**(Paragraph 2.2.6.4)**

- As per instructions issued (October 2010) by the Food, Civil Supplies and Consumer Protection Department, godowns of State Warehousing Corporation, Central Warehousing Corporation and private parties together with own godowns should be utilised for storage of paddy procured. For storage of paddy in open space, Cap covers with polythene should be utilised. Due to delay in milling by millers, non-availability of covered storage area and storage of paddy in open space without fully covered cap covers, paddy worth ₹ 278.36 crore was damaged.

**(Paragraph 2.2.7.8)**

- As per milling agreement clause 3, after milling of agreed quantity of paddy, rice should be deposited by the miller with FCI/CGSCSC within the time schedule prescribed in the agreement. However, 33 rice millers had not deposited 31838 MT rice after expiry of milling schedules resulting in non-recovery towards cost of rice worth ₹ 74.53 crore from them.

**(Paragraph 2.2.8.2(b))**

- As per instructions issued by the GoI for fixation of provisional rates of CMR, 67 per cent of raw rice should be deposited by the custom millers for which custom milling charges are decided during each KMS. The custom milling charges for raw rice during the KMS year 2010-15, was fixed by GoI as ₹ 10 per quintal. However, GoCG paid milling charges beyond the norms fixed by the GoI resulting in excess payment of milling charges worth ₹ 591 crore.

**(Paragraph 2.2.8.3(a))**

### 2.2.1 Introduction

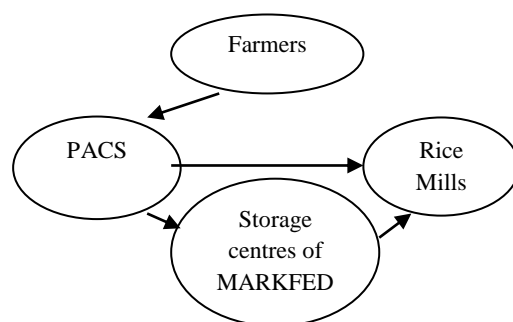
The Scheme of Decentralised Procurement (DCP) of food grains was introduced (1997-98) by GoI with a view to enhance the efficiency of procurement and Public Distribution System (PDS) and to encourage local procurement and reduce out go of food subsidy. Under the scheme, the States undertake the responsibility of procurement of food grains on Minimum Support Price (MSP) fixed by GoI, its storage and distribution through Targeted Public Distribution System (TPDS).

Paddy is the main crop of Chhattisgarh State. The primary objective of the Government of Chhattisgarh (GoCG), with respect to food grains management operations carried out through Food, Civil Supplies and Consumer Protection Department, is to ensure food security in the State. Chhattisgarh State Cooperative Marketing Federation (MARKFED) is the nodal agency for procurement of paddy in Chhattisgarh State under Decentralised Procurement (DCP) system.

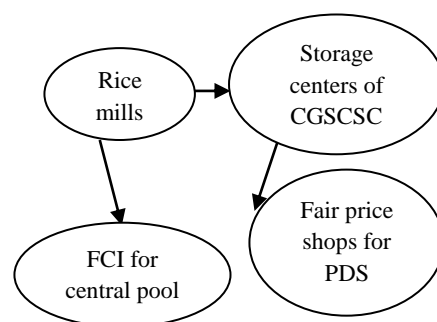
During 2010-15, 325.07 lakh MT paddy was procured by 1976 procurement centres of 1333 Primary Agriculture Co-operative Societies (PACS) under the control of District Central Co-operative Banks (DCCB). Of this, 321.41 lakh MT paddy worth ₹ 39,427.59 crore was transferred to MARKFED. The paddy procured for the State is milled through private rice mills as well as mills owned by MARKFED. Chhattisgarh State Civil Supply Corporation (CGSCSC) is appointed as the nodal agency for procurement and distribution of rice. After custom milling of paddy 67 per cent for raw rice and 68 per cent for parboiled rice as per the norms specified by Government is to be delivered to CGSCSC's stocking points by custom millers for its issuance under the TPDS and Other Welfare Schemes throughout the State. Milled rice, in excess of requirement of the State is deposited with Food Corporation of India (FCI) for central pool.

**A Flow chart showing custom milling operations is depicted below:**

**Procurement of paddy by MARKFED**



**Procurement of rice by CGSCSC**



### 2.2.2 Organisational set-up

Food, Civil Supplies and Consumer Protection Department (Department) is headed by Additional Chief Secretary at Government level. Director of Food is functional head of the department which is assisted by District Food Controller/Officer at District level. MARKFED and CGSCSC, headed by Managing Directors (MDs) are the nodal agencies for procurement of paddy and rice respectively. MD, MARKFED assisted by 27 District Marketing

Officer (DMO) in each district is responsible for procurement of paddy (through PACS), milling and transfer of rice to FCI/CGSCSC. MD, CGSCSC is assisted by 27 District Managers (DM) in each district who are responsible for procurement and distribution of rice under Public Distribution System (PDS) and other welfare schemes.

### 2.2.3 Audit objectives

The Performance Audit was conducted to assess whether:

- procurement of paddy and its distribution to rice millers were carried out efficiently;
- conversion of paddy to Custom Milled Rice (CMR) and system for selection of millers were sound;
- pre-milling storage facility was adequate and tagging of rice mills with the PACS and storage centres was economical;
- CGSCSC received the specified percentage of custom milled rice and reimbursed statutory and non-statutory charges in accordance with the laid down conditions; and
- monitoring of the procurement of paddy and CMR by millers and quality control mechanism were efficient and effective.

### 2.2.4 Audit criteria

The audit criteria were sourced from the following:

- GoI/GoCG Instructions/Guidelines and Orders for procurement of paddy and rice;
- operational guidelines issued by GoCG for procurement of paddy and rice;
- custom milling agreements entered into by MARKFED with rice millers; and
- Chhattisgarh Financial Code and Chhattisgarh Treasury Code.

### 2.2.5 Scope and methodology of audit

The Performance Audit was conducted during May 2015 to August 2015 covering the period 2010-15. Seven districts<sup>1</sup> along with one block under each district were selected on the basis of Simple Random Sampling With Replacement Method (SRSWR). Director, Food, Civil supplies and Consumer Protection, MD, MARKFED, five PACS of each selected block, five Rice Mills including private and those owned by MARKFED were selected for each District. MD, CGSCSC, District Central Co-operative Banks (DCCBs) and Office of the DMO, DM and Food Controller/Officer of selected districts were covered under Performance Audit.

An entry conference was held with the Additional Chief Secretary of the department on 28 May 2015 where the scope and objective of the PA was discussed. An exit conference was held on 27 November 2015 with the

<sup>1</sup> Raipur (Abhanpur), Durg (Durg), Rajnandgaon (Rajnandgaon), Dhamtari (Dhamtari), Mahasamund (Bagbahara), Bilaspur (Kota) and Janjgir-champa (Akaltara).

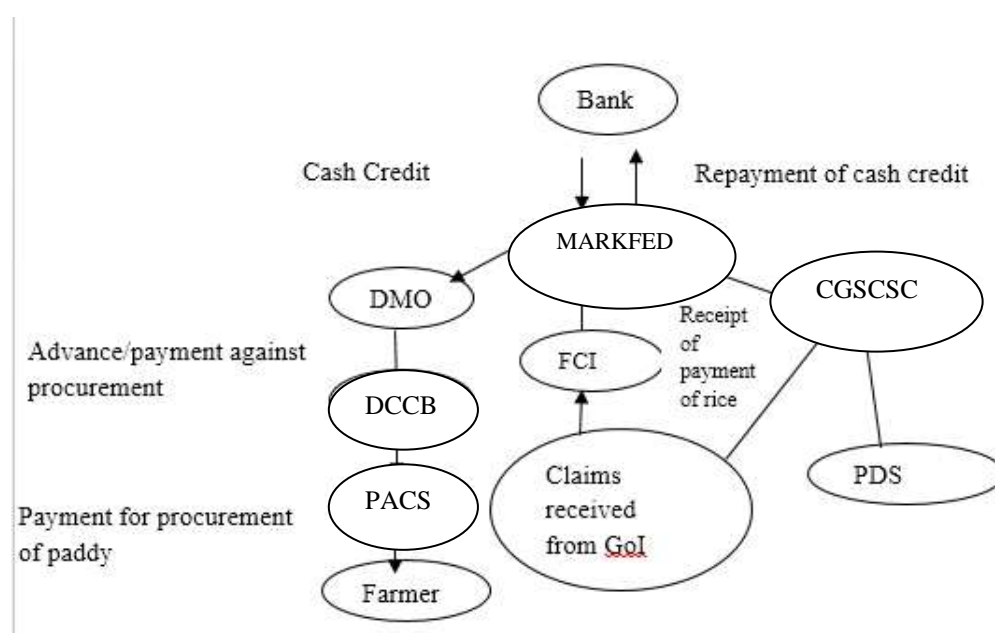
Secretary to discuss the audit issues. Government furnished reply (December 2015) which has been suitably incorporated in draft.

### Audit Findings

#### 2.2.6 Financial Management

The MARKFED financed the paddy procurement operations through Cash Credit Account from Nationalised Banks against hypothecation of stock of rice. The funds so financed are required for payment to farmers against the paddy procured by MARKFED. During 2010-15 the MARKFED availed Cash Credit (CC) and advances aggregating ₹ 54327.36 crore with interest rate ranging from eight to 11.83 *per cent* per annum. It disbursed funds out of CC to the DMOs for procurement and distribution operations. DMOs provide fund to PACS for paddy procurement through DCCBs for payment to farmers. Further, the CC was recouped by sale proceeds of CMR received from FCI/CGSCSC, statutory charges claimed from GoI and loss claimed from GoCG.

*B Flow chart showing fund flow is depicted below:*



##### 2.2.6.1 Avoidable interest burden

As per cost sheet of GoI, interest element to the extent of two months storage of paddy was allowed. Over and above, it is to be borne by the MARKFED. For each *Kharif* Marketing Season, Cash Credit for procurement of paddy at Minimum Support Price (MSP) was obtained from private banks by MARKFED and it was to be cleared at the end of respective KMS period (October to September). For availing CC, MARKFED is required to pay interest to the banks at specified rates. In the event of non-clearance of CC by the end of KMS extra interest is also payable.

**(a) Payment of excess interest due to non-clearance of CC at the end of KMS**

Scrutiny of records of MD, MARKFED revealed that during KMS 2010-15, MARKFED procured 325.07 lakh Metric Ton (MT) paddy and obtained ₹54327.36 crore CC as detailed in table below:

**Table 2.2.1: Details of non-clearance of Cash Credit balance at the end of the KMS**  
(₹ in crore)

**Payment of excess interest due to non-clearance of CC at the end of KMS**

Marketing season	CC and advance from GoCG. availed	Amount repaid by MARKFED	Interest paid by MARKFED during the KMS	Outstanding CC at the end of the KMS	Interest charges on outstanding CC beyond KMS borne by MARKFED
2010-11	7459.60	5829.10	247.42	1630.50	90.35
2011-12	5950.43	5516.37	328.42	2064.56	4.64
2012-13	10473.62	10321.79	750.72	2216.39	40.85
2013-14	17042.10	13301.41	929.87	5957.08	102.33
2014-15	13401.61	13565.72	450.97	5792.97	606.51
<b>Total</b>	<b>54327.36</b>	<b>48534.39</b>	<b>2707.40</b>		<b>844.68</b>

(Source: Information provided by department and complied by audit)

It could be seen from the above table that interest amounting to ₹ 2707.4 crore was paid during the KMS 2010-15. However, there was non-clearance of CC within every KMS year for which an extra amount of ₹ 844.68 crore was paid as interest by the MARKFED during KMS 2010-15. The reasons for outstanding CC beyond KMS were non-disposal of paddy within the season, non-recovery of outstanding amount from FCI/CGSCSC, delay in submission of loss claim, non-reconciliation of advances from DCCBs, blockage of funds in DGS&D<sup>2</sup> and delay/non-deposition of rice in FCI and CGSCSC by the millers. All these factors had led to payment of avoidable interest as discussed in subsequent paras.

Government accepted the audit observation and stated that (December 2015) the CC could not be cleared within KMS due to non-disposal of paddy procured within KMS and delay in payment of cost of rice by FCI/CGSCSC. Fact remains that due to above factors CC could not be cleared which resulted in excess payment of interest.

**(i) Avoidable payment of interest due to non-recovery of outstanding amount from FCI/CGSCSC**

The GoCG while issuing orders for procurement of paddy in the respective years assured MARKFED that the loss incurred in paddy procurement would be reimbursed by the GoCG. During 2010-15 MARKFED submitted loss claims of the KMS year 2010-11 and 2011-12 to GoCG for reimbursement.

Scrutiny revealed that an amount of ₹ 6097.84 crore was outstanding from CGSCSC (₹ 5075.15 crore of period 2009-15) and FCI (₹ 1022.69 crore of period 2001-15) as of July 2015 as receivables against the rice deposited by the millers in the FCI and CGSCSC. The reason for non-receipt of the amount from FCI and CGSCSC was due to non-reconciliation of various items of incidentals included in cost sheet of CMR between MARKFED and FCI/CGSCSC due to non submission of required documents by MARKFED. As a result, MARKFED could not repay the loan amount in time resulting in

<sup>2</sup> Funds advanced to Director General, Supplies and Disposals for procuring gunny bags.

avoidable payment of interest to the tune of ₹ 610.85<sup>3</sup> crore (**Appendix-2.2.1**). Government accepted the audit observation and stated (December 2015) that Central and State Government delayed in making payment of cost of rice to FCI and CGSCSC respectively. Consequently FCI/CGSCSC made delayed payment to MARKFED which resulted in loss of interest to MARKFED.

We recommend that receivables due from FCI/CGSCSC should be pursued effectively so as to reduce interest liability.

#### 2.2.6.2 Deficiencies in loss claims

The expenditure incurred by the MARKFED in their business beyond the cost sheet of CMR issued by GoI was submitted to the State Government as a loss claim every year. Loss claims include losses on interest payment, custody and maintenance charges, transportation charges, excess driage and damage of paddy etc. Deficiencies noticed in the loss claims are discussed below:

##### (a) Driage/shortage of paddy beyond permissible limit resulting in loss of ₹ 96.80 crore

During storage of paddy in the storage centres, weight of paddy decreases due to decrease in moisture content of paddy which is called driage. As per CMR cost sheet, the permissible limit of driage was one *per cent* of the total quantity of paddy stored in storage centres.

Scrutiny of loss claim of KMS 2010-11 and 2011-12 revealed that 12.86 lakh quintals of paddy amounting to ₹ 96.80 crore were claimed against driage/shortages in the storage centres of MARKFED due to delay in disposal of the paddy. Details of driage/shortage are as follows:

**Table 2.2.4: Detail of driage/shortage of paddy in storage centres**

KMS year	Paddy procured (lakh MT)	Total paddy directly transferred to FCI/ millers (lakh MT)	Transferred to storage centres of MARKFED (lakh MT)	Shortage in driage/ shortage (lakh quintals)	Percent- age driage	Excess driage over the permissible limit of one <i>per cent</i>	Loss (in crore)
2010-11	50.74	32.71	26.47	6.94	2.62	1.62	59.23
2011-12	59.01	33.81	25.62	5.92	2.31	1.31	37.57

Thus in the above two years excess driage/shortage of paddy in the storage centres resulted in a loss of ₹ 96.80 crore to GoCG.

Further, scrutiny of records of the storage centres of MARKFED revealed that in KMS year 2012-13 and 2013-14, shortage of paddy/ shortage due to driage were 1.81 lakh MT and 1.18 lakh MT respectively and driage *per cent* in these years were 4.22 and 3.20 *per cent* respectively. However, the actual loss on account of driage/shortage for above years could not be commented upon as the loss claims for the concerned years were not finalised by MARKFED as of October 2015.

<sup>3</sup> Interest has been calculated on the total outstanding amount of FCI and CGSCSC at the average rate of 10 *per cent* per annum which has been arrived at by taking the interest rates prevailing during the period 2010-15.

Thus inability of MARKFED to dispose of the paddy within the KMS had burdened the GoCG to bear extra cost of ₹ 96.80 crore as additional driage.

Government accepted the audit observation and stated (December 2015) that due to delay in disposal of paddy within KMS, balance quantity of paddy was stored in the storage centre resulting in increased percentage of driage beyond the permissible limit. MAKFED had also taken action against the responsible officials for excess driage in storage centres. Fact remains that excess driage of paddy burdened the GoCG to bear loss of ₹ 96.80 crore as additional driage.

**(b) Excess payment of transportation charges of ₹ 271.25 crore beyond the norms fixed by Government of India (GoI) in the cost sheet of CMR**

The transportation charges are reimbursed by the GoI as per rates prescribed in CMR cost sheet and any extra cost on account of transportation charges beyond the norms are to be borne by the MARKFED which in turn would be reimbursed by GoCG.

Scrutiny of loss claim cases submitted by MARKFED to GoCG revealed that during the KMS year 2010-11 and 2011-12, MARKFED made payment of ₹ 401.86 crore to various transporters and millers as transportation charges. Of this ₹ 130.61 crore was received as per norms from GoI. The balance transportation charges of ₹ 271.25 crore was beyond the CMR norms which was claimed by MARKFED from the GoCG as loss.

The loss on account of transportation charges was one of the major part of the total loss claim which was to be borne by the GoCG. The reasons for payment of excess transportation charges are lifting of paddy from un-tagged storage/procurement centres and non-lifting of paddy from the nearest societies/storage centres are discussed in para 2.2.8.4 (a).

Government stated (December 2015) that GoI had fixed the rate of transportation charges in the cost sheet on the basis of rates prescribed by FCI which were comparatively less. Reply was not justified as expenditure on transportation charges should have been done as per norms fixed by the GoI.

**(c) Payment of interest beyond the norms fixed by GoI resulting in excess burden on GoCG**

Interest charges for two months on MSP, Statutory charges and Mandi labour charges are reimbursed by the GoI as per rate fixed by GoI in CMR cost sheet. Beyond that period, interest charges are to be borne by MARKFED.

Scrutiny of loss claim cases revealed that during the KMS year 2010-11 and 2011-12, MARKFED made interest payment of ₹ 633.02 crore to various banks. Of this ₹ 207.92 crore was received from FCI and CGSCSC in accordance with the cost sheet. The balance interest payment of ₹ 425.10 crore was beyond the cost sheet norm. This was claimed by MARKFED from the GoCG as a loss.

The interest burden on loan was mainly due to delay in disposal of paddy within KMS period, delay in finalisation of accounts, loss claims and delay in getting claims from CGSCSC. The delay in submitting the claim by MARKFED ranged between 21 and 30 months during 2010-2012 which had

resulted in avoidable interest burden of ₹ 137.47<sup>4</sup> crore.. As of July 2015, loss claim for the KMS 2012-13 to 2014-15 had not been finalised by MARKFED as it had not prepared its accounts since 2012-13. Thus, due to inefficiency of MARKFED in disposal of paddy as well as delay in preferring loss claims, the GoCG had to bear the loss on account of interest payment to the tune of ₹ 425.10 crore in the years 2010-11 and 2011-12.

Government accepted the audit observation and stated (December 2015) that delay had occurred due to milling of paddy not as per full milling capacity of millers. In addition to that delay in receipt of payment from FCI/CGSCSC had resulted in payment of excess interest. Government further stated that the matter would be taken up with GoI for giving respite of interest payments for longer periods.

We recommend that MARKFED should make efforts to minimise its interest burden by finalising its annual accounts timely and ensure the submission of loss claim at the earliest.

**(d) Irregular claim of Custody and Maintenance charges amounting to ₹ 55.54 crore**

GoI issued guidelines in September 2010 for submission of provisional and final incidental claim in respect of procurement of paddy by GoCG and MARKFED. As per the guidelines the Custody and Maintenance charges (C and M) are recoverable when paddy is stored for a period of two months after procurement and the procuring agencies had incurred expenditure on account of C and M.

Scrutiny of records in MARKFED revealed that during the KMS 2010-15, total 153.31 lakh MT of paddy was directly lifted by the millers from the procurement centres (PACS) and not stored even for a single day in storage centres of MARKFED. However, two months C and M charges valued ₹ 55.54 crore were irregularly recovered by MARKFED from the CGSCSC and FCI (**Appendix-2.2.2**).

Government stated (December 2015) that amount of C and M charges were recovered from FCI/CGSCSC as per rate prescribed by GoI. Actual reconciliation of final rate of C and M charges would be done after submission of actual expenditure figure to GoI. Reply of Government was not justified as MARKFED had recovered the C and M charges from FCI/CGSCSC without storing paddy even for a single day.

**2.2.6.3 Non-reconciliation of accounts of DMOs with DCCBs and PACSs**

The MARKFED had engaged 1333 PACSs functioning under DCCBs for procurement of paddy from the farmers. The MARKFED provides advances to the DCCBs. PACS procure paddy from the farmers who are paid directly by

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<sup>4</sup> Interest has been calculated at the rate of 9.85 per cent (minimum rate of interest on which loan taken by MARKFED during the period) on the balance amount to be received from State Government i.e. 2010-11=(559.73-259.77)\*9.85\*30/1200= ₹ 73.87 crore and 2011-12=(549.32-180.34)\*9.85\*21/1200=₹ 63.60 crore, Total=73.87+63.60=₹ 137.47 crore.

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the DCCB. The job of PACS is to deposit the paddy procured with MARKFED and against which 2.5 per cent commission payable to PACS. In each district MARKFED deputed DMO whose job is to oversee the procurement of paddy and utilisation of advances by DCCBs. It is the job of the DMO to reconcile the accounts of the PACSs and DCCBs. In case of short deposit of paddy by the PACS the amount is to be deducted from the commission payable to PACS.

Scrutiny revealed that the DMOs did not reconcile its accounts with accounts of DCCBs and PACS. This resulted in non-settlement of excess amount of advance from the DCCBs/PACSs till October 2015.

**Non-reconciliation of advances provided to DCCBs**

The details of KMS wise advance of funds to DCCBs is as follows:

**Table 2.2.6: Detail of fund provided to DCCBs and their adjustment**

(₹ in crore)						
KMS year	Total paddy procured by PACS (lakh MT)	Paddy transferred to MARKFED (lakh MT)	Cost of paddy transferred to MARKFED	Opening balance of fund provided to DCCBs	Funds provided during the KMS year	Closing balance
2010-11	51.17	50.73	5131.06	799.48	5219.15	3862.33
2011-12	59.72	59.38	6436.09	3862.33	6567.80	5206.73
2012-13	71.36	70.24	8853.38	5206.73	9073.68	6088.81
2013-14	79.72	78.35	10361.77	6088.81	10615.69	6395.27
2014-15	63.10	62.71	8645.29	6395.27	8728.17	11729.18
<b>Total</b>	<b>325.07</b>	<b>321.41</b>	<b>39427.59</b>		<b>40204.49</b>	<b>11729.18</b>

(Source: Information provided by department and complied by audit)

It may be seen from above that 325.07 lakh MT paddy was procured between KMS year 2010-11 and 2014-15 by the PACS. Of this only 321.41 lakh MT paddy was transferred to MARKFED. This resulted in shortage of 3.66 lakh MT paddy at PACS level costing ₹ 453.23 crore. Further scrutiny of records related to purchase of paddy revealed that the opening balance of the advances paid to DCCBs for paddy procurement for the year 2010-11 was ₹ 799.48 crore. During the period 2010-15 ₹ 40204.49 crore was provided to DCCBs for procurement of paddy. Against this 321.41 lakh MT paddy amounting ₹ 39427.59 crore was received by MARKFED. However, MARKFED did not recover cost of paddy worth ₹ 1576 crore (₹ 799.48 + ₹ 40204.49 - ₹ 39427.59 crore). Details of yearwise reconciliation/adjustment with DCCBs were not provided by MARKFED. Further, the closing balance of ₹ 11729.18 crore was also lying with DCCBs without reconciliation as advances as of July 2015. Thus, lack of concerted effort by DMOs to reconcile the accounts with DCCBs had resulted in huge unadjusted balance.

Government accepted the audit observation and stated (December 2015) that ₹ 97.16 crore were recoverable from four DCCBs (Bilaspur, Raipur, Durg and Raigarh) for which necessary instructions have been issued to concerned DMOs. Process for recovery of amount of shortage of paddy at PACS level has been initiated by DCCBs. Reconciliation would be done after recovery of all dues of PACS.

#### **2.2.6.4 Non-realisation of cost of substandard gunny bags resulting in blockage of ₹ 23.74 crore**

The gunny bags are purchased by MARKFED by placing indent to the Directorate General of Supplies and Disposals (DGS&D) Kolkata, which in

**Non-realisation  
of cost of  
substandard  
gunny bags**

turn places the supply orders to the jute millers. Accordingly, the gunny bags are delivered to MARKFED. As per condition of supply orders, the supplier should replace the sub-standard/fungus affected gunny bags or refund equivalent cost of the bags to MARKFED.

Scrutiny of records and information provided by MARKFED revealed that DGS&D, Kolkata supplied ₹ 82.97 crore gunny bags during the period 2010-15. Of this, ₹ 58.09 lakh gunny bags were found sub-standard and were affected by fungus etc. However, these were neither replaced by the jute miller nor their cost amounting to ₹ 23.74 crore were refunded to MARKFED by DGS&D. This resulted in blockage of ₹ 23.74 crore with DGS&D Kolkata during the five year period (**Appendix-2.2.3**).

Government while accepting the observation stated (December 2015) that correspondence had been made with DGS&D for joint inspection for ascertaining the number of substandard bags. Due to delay by DGS&D, joint inspection could not be done. Fact remains that failure of MARKFED to coordinate with DGS&D to realise the cost of substandard gunny bags had resulted in blockage of the fund.

**2.2.6.5 Non-submission of claim for reimbursement of statutory charges**

As per procedure prescribed by GoI, within two years of completion of KMS period, claims of statutory charges (Market fee, *Nirashrit Shulk* and Commercial tax) is to be prepared by the GoCG and to be submitted to GoI for reimbursement.

During scrutiny of records it was observed that claims of statutory charges up to the KMS 2011-12 had been submitted. Statutory charges related to KMS years 2012-13 was not submitted to the GoI as the claim of these years had not been finalised by the MARKFED till October 2015 due to non-finalisation of accounts.

Government while accepting the observation stated (December 2015) that the claims of KMS year 2012-13 is being finalized for submission to GoI and efforts will be made to get reimbursement of statutory charges from GoI. However, no justification for delay in finalisation of claims was furnished.

**2.2.7 Deficiencies in Procurement and Storage of Paddy**

Every year GoCG issues detailed guidelines based on GoI guideline for Minimum Support Price (MSP) and instructions for registration of farmers and millers, procurement of paddy, lifting, transfer, storage and milling of paddy. GoCG also issues probable work plan for procurement and disposal of paddy before commencement of each KMS.

**2.2.7.1 Planning for Procurement and milling of paddy**

As per operational guidelines of paddy procurement, for avoiding double expenditure on transportation of paddy from procurement centres to storage centres and from storage centres to miller's premises, issuing of maximum paddy directly from procurement centres to millers was to be ensured.

The comparative details of estimated and actual procurement, distribution and storage of paddy are detailed in **Appendix-2.2.4**.

It was noticed from the appendix that the procurement of paddy was more than targeted quantity during every KMS and ranged between 102 and 111 *per cent*. Further scrutiny revealed that though the procurement was more, issue of paddy directly to millers from the procurement centres over total procurement ranged from 38 to 57 *per cent* during the KMS 2010-15 and it was 15  $((28.64-24.22)/28.64*100)$  and 32  $((40-27.29)/40*100)$  *per cent* less than the quantity estimated in yearly work plan in the year 2010-11 and 2012-13 respectively. Less lifting of paddy directly from the procurement centres resulted in increase in transportation cost, storage overheads, driage/shortage and damage of paddy stored in storage centres as commented in para 2.2.8.4 (a), 2.2.6.2 (d) and 2.2.8.9.

We recommend that Planning for issuing of maximum possible quantity of paddy to millers directly from the procurement centres should be done to reduce excess transportation charges and driage/shortage of paddy in storage centres.

### **2.2.7.2 Tagging of mills with the nearest procurement and storage centres**

As per clause 7.3 of operational guideline (2010-11) issued by the Department for milling of procured paddy, a map showing distance of Mills from Storage centres and PACS should be prepared so that transportation cost and time for milling could be reduced. Further, custom millers should be tagged with the nearest PACS for direct lifting of paddy so that transportation cost could be reduced.

Scrutiny of records of DMOs of selected districts revealed that upto KMS 2012-13, name of Storage Centre and PACS was mentioned in the miller agreement as per permission letter issued by the Collector from where paddy was provided to Custom millers. However, from KMS 2013-14, the same were neither mentioned in the permission issued by the Collector nor in the agreement executed by the DMOs with the millers. Further, map showing distance of mills from storage centres and PACS was not prepared by any selected district. As a result, there was no system to ensure that the paddy was issued to the nearest mills.

Further scrutiny revealed that due to non-tagging of mills with the nearest procurement/storage centres, the paddy was issued to millers by farther centres despite availability of paddy at nearer procurement/storage centres. This resulted in extra cost on account of transportation charge as detailed in subsequent para 2.2.8.4 (a).

Government stated (December 2015) that in the year 2013-14 the instruction were issued to the District Marketing Officer for tagging of Custom millers from the nearest societies by taking care of distance of mills from centres, availability of space and capacity of procurement centres. Reply was not justified as during audit of selected DMOs tagging of millers from nearest procurement/storage centres were not found.

### **2.2.7.3 Signature of farmers not recorded in Paddy Purchase Registers**

As per operational guideline, the farmers were required to sign in the Paddy Purchase Registers (PPRs) while delivering the paddy at the Paddy Procurement Centres (PPCs).

Scrutiny revealed that during KMS 2010-11 and 2013-14, in 1952 out of 3049 test checked cases, the signatures of farmers were not obtained in the PPRs in 16 PACS of selected districts. Thus, in the absence of signatures of farmers procurement of paddy from the genuine farmers could not be ensured.

Government stated (December 2015) that signature of farmers were obtained in weighing and paddy receipt form. Reply was not justified as in test checked cases, the signatures of farmers were not found even in weighing and paddy receipt form.

#### **2.2.7.4 Delay in processing of payment to farmers for purchase of paddy**

PACCS were responsible to purchase paddy from genuine farmers and also to ensure that the payment to farmers are made immediately after purchase of paddy.

Scrutiny of records of 35 PACS in selected districts revealed that in KMS 2013-14 proposals for payment to farmers were sent to DCCBs after a delay of four to 74 days from the date of sale of paddy. Afterwards, two to seven days of time were taken by DCCBs for processing the payment of farmers. Thus, the farmers had received the price of paddy after delay of six to 80 days.

Government accepted the observation and stated (December 2015) that the issue would be taken care of and efforts would be done to ensure that the payments are not delayed.

#### **2.2.7.5 Procurement of paddy without ensuring quality**

As per instruction issued (September 2010) by the GoI for ensuring the quality of paddy procured, officials may be deputed for inspection to ensure that the procurement of food grains strictly conforms to the laid down specification of the GoI. As per schedule of specification following checks are to be done by the PACS during procurement of paddy:

**Table 2.2.7: Schedule of specification for check of Fair Average Quality**

Sl. No.	Refraction	Maximum Limits in percentage
1	Foreign matter	
	( 1) Inorganic	1
	(2) Organic	1
2	Damaged, Discolor, Sprouted and Weevilled	4
3	Immature, Shrunken and shriveled grains	3
4	Admixture of lower class	7
5	Moisture content	17

During scrutiny of records of 35 PACS of selected districts, it was observed that out of above five quantity checks, only moisture content check was conducted by the PACS during procurement of paddy. Further, it was observed that number of samples required for test was neither fixed by the GoI nor by MARKFED. Thus, in the absence of mandatory checks and without fixing sample size of checks, the quality of paddy procured could not be ensured.

Further, moisture *per cent* of procured paddy in Rajnandgaon district was found entered in the records of procurement centre which ranged from nine to 14 *per cent* but in the records of storage centre the moisture content of same paddy was recorded between 15 and 17 *per cent*. As the moisture content of paddy was bound to decrease with passage of time, it was evident that

recording of moisture content in PACS and storage centres were done without actual testing.

On being pointed out, no specific reply was provided by Government.

#### **2.2.7.6 Formation of monitoring committee at procurement centre level**

As per para 11.2.3 of operational guideline issued by Department for ensuring procurement of Fair Average Quality (FAQ) paddy from registered farmers at society level, committee should be formed at District/society/procurement centre level by comprising President /Authorised officer of society, *Sarpanch* of concerned area, one member nominated by Collector and two persons approved by concerned minister.

During the scrutiny of records of 35 PACS in selected districts, records related to formation of committees for ensuring procurement of FAQ paddy from registered farmers were not made available by the societies to audit. Minutes of the meetings held and inspection reports submitted by the members of committees were also not produced to audit.

In the absence of above records audit could not ensure procurement of FAQ paddy from registered farmers.

Government stated (December 2015) that monitoring committees were formed at PACS level. Fact remains that in test checked PACS records related to formation of committees, minutes of the meetings held and inspection reports submitted by the members of committees were not made available to audit

#### **2.2.7.7 Non development of adequate infrastructure in procurement and storage centres by Mandi Board despite payment of market fee by MARKFED.**

Every year paddy is procured by MARKFED through PACS at MSP and payment of market fee at the rate of two *per cent* of MSP is made to Chhattisgarh State Agriculture Marketing Board (Mandi Board).

During the KMS year 2010-15, an amount of ₹ 765.19 crore (₹ 102.62 in 2010-11, ₹ 128.72 in 2011-12, ₹ 196.89 in 2012-13, ₹ 228.65 in 2013-14 and ₹ 108.31 in 2014-15) was paid to Mandi Board as market fee. The GoCG informed (July 2011) MARKFED that 995 platforms in 38 storage centres, 164 platforms in 75 procurement centres and 116 godowns of 200 MT capacity in 116 procurement centres would be constructed by Mandi Board.

However, as per information provided by MARKFED, out of total 995 proposed platforms in 38 storage centres only 594 platforms (60 *per cent*) worth ₹ 5.96 crore (approx.) were constructed as of July 2015. Details of construction of godowns and platforms in procurement centres were not provided by MARKFED. Apart from above infrastructure, efforts for creation of platforms and godowns in other centres were not initiated by Mandi board despite payment of market fee every year by MARKFED.

Thus, Mandi Board could not develop required infrastructure in procurement and storage centres situated in the state despite payment of ₹ 765.19 crore as market fee by MARKFED.

Government stated (December 2015) that 1316 platforms and 78 godowns were constructed in procurement centres by Mandi Board. However,

**Non  
development of  
adequate  
infrastructure  
in procurement  
and storage  
centres by  
Mandi Board**

Government could not provide detailed bifurcation of yearly target and achievement of construction of infrastructure and utilisation of fund by Mandi Board.

### **2.2.7.8 Non availability of pre milling storage capacity, non-milling of paddy within KMS and storage in open area resulted in damage of paddy**

As per instructions issued (October 2010) by the Department, godowns of State Warehousing Corporation, Central Warehousing Corporation and private parties together with own godowns should be utilised for storage of paddy procured by procurement agencies. For storage of paddy in open space, Cap covers, polythene etc. should be utilised. As per Custom Milling Policy of the Department (October 2010), custom milling should be completed within the KMS period i.e. October to September of the next year

**Non-milling of paddy within KMS period and storage in open area resulted in damage of paddy**

During joint physical verification of storage centres in three selected districts (Durg, Rajnandgaon and Raipur) it was observed that procured paddy was stored only in open space by MARKFED by partial covering with polythene cap covers. Non-availability of covered storage area, paddy was stored in open space without fully covered.

Scrutiny of records of MARKFED, revealed that in the State during KMS 2010-14, 2.25 lakh MT paddy worth ₹ 278.36 crore was damaged due to storage in open space since their procurement. During physical verification by the Audit team, damaged paddy was found stored in storage centres.

**Photographs of joint physical verification of damage Paddy pertaining to the year 2012-13 at Storage Centre –Nagar Kohka of DMO, Rajnandgaon and Dharsiwa of DMO-Raipur**



Thus, purchase of paddy beyond milling capacity, delay in milling and storage of paddy in open space resulted in damage of paddy worth ₹ 278.36 crore.

Government while accepting the observation stated (December 2015) that due to delay in milling, the paddy stored in open gets damaged due to rain or other reasons. However, a roadmap to address the issue was not developed by the department despite huge losses.

### **2.2.8 Milling and transportation deficiencies**

The paddy procured for the State is milled through private rice mills as well as mills owned by MARKFED. CGSCSC is appointed as the Nodal agency for procurement and distribution of rice. After custom milling of paddy, portion of the rice is deposited by custom millers at issue centres of CGSCSC for its

issuance under the Targeted Public Distribution System and Other Welfare Schemes throughout the State. Milled rice, in excess of requirement of the State is deposited with FCI for central pool.

### **2.2.8.1 Milling deficiencies**

#### **(a) Performance of Kisaan Rice Mills owned by MARKFED**

MARKFED has 29 *kisaan* rice mills situated in 12 districts of the State. During scrutiny of the records, it was observed that 21 out of 29 *kisaan* rice mills were inoperative and eight of them since 2007-08. This was because of the fact that the out turn ratio of rice for *Kisaan* rice mills were below the prescribed norms. Hence, targeted quantity of paddy was not issued to mills which resulted in loss to mills. This makes the mills unsustainable. MARKFED had neither taken any strong initiatives for modernisation of the mills nor made any policy/action plan for disposal of machineries/equipments etc. of closed rice mills. This resulted in gradual depreciation of cost of available machineries of the closed mills.

Government while accepting the observation stated (December 2015) that the out turn ratio of rice for *Kisaan* rice mills were below the prescribed norms. Therefore mills were not operational. Efforts are being made by the Executive Board for disposing off the machineries/equipments of the already closed mills. However, Government could not justify the failure of the mills to produce the required out turn ratio which had resulted in closure of the 21 mills.

#### **(b) Periodical physical verification of stocks in millers' premises**

As per milling agreement, periodical verification (PV) of stock of paddy and rice to be conducted in millers' premises on a regular basis is mandatory. The enforcement officials are required to inspect rice mills periodically to ensure the purchase of paddy at MSP, paddy milled, rice delivered etc. The PV report should clearly depict the quantity delivered and available with the miller besides indicating physical availability of stocks and their quality.

During scrutiny of records, it was observed that PV was not conducted on regular basis and no norms were fixed regarding periodicity of PV. However, the department registered nine cases and 10809.87 quintal paddy and 3801.43 quintal of rice were seized in the four selected districts<sup>5</sup>.

Government stated (December 2015) that there is a provision for submission of quarterly returns by the millers in Collector office. DMOs may verify the records of miller as per requirement. Fact remains that no norms were fixed by Government for periodicity of physical verification of mills as mentioned in milling agreement.

### **2.2.8.2 Non-adherence of norms by millers**

#### **(a) Non-adherence to milling schedule**

As per instruction issued (September 2009) by the Department, custom milling of procured paddy should be done and delivered to CGSCSC and FCI within 12 month period i.e. up to end of September of each KMS.

<sup>5</sup> Raipur, Dhamtari, Durg and Rajnandgaon.

Scrutiny however revealed that the milling of paddy was done beyond the stipulated period (September of each KMS) which resulted in increase of driage percentage above permissible limit and damage of paddy as mentioned in para 2.2.6.2 (d) and para 2.2.7.9 respectively. Milling of paddy procured during KMS 2013-14 and 2014-15 had not been completed as of October 2015. Details of period of milling of paddy are shown below:

**Table 2.2.9: Details of KMS wise period of milling of paddy**

KMS	Stipulated period of milling	Actual completion of milling
2010-11	September 2011	January 2012(16 months)
2011-12	September 2012	December 2013(15 months)
2012-13	September 2013	December 2014(15 months)
2013-14	September 2014	In progress(23 months)
2014-15	September 2015	In progress

(Source: Information provided by department and compiled by audit)

Thus, the delay persisted continuously over the years but MARKFED did not take corrective action to prevent it during the period. Moreover, the delay in milling led to storage of paddy in the open for upto one and half year. In the absence of comprehensive storage plan, this had resulted in huge overheads on driage and damage to paddy. The delay had a cascading effect on the finances also as cash credit limits could not be paid in time and consequent interest and loss had been borne by the State.

Government while accepting the observation stated (December 2015) that due to excess procurement of paddy by the State Government and also because of constraints of FCI to procure the rice, there was delay in adherence to the milling schedule.

**(b) Rice amounting to ₹ 74.53 crore was not deposited by the custom millers after expiry of milling schedules**

As per clause 3 of milling agreement, after milling of agreed quantity of paddy, the rice should be deposited by the miller in FCI/CGSCSC within the time schedule prescribed in the agreement.

Scrutiny of records provided by MARKFED revealed that during the KMS 2011-12 to 2013-14, for custom milling of paddy purchased by the MARKFED, the paddy was issued to registered millers. It was seen that 31838 MT rice valuing ₹ 73.90 crore related to KMS year 2011-12 to 2013-14 were not deposited by 33 custom millers till October 2015.

Further scrutiny revealed that for the disposal of excess paddy purchased during the KMS 2012-13 and 2013-14, the Department issued (April 2014) instruction that agreed quantity of paddy would be lifted by the millers by depositing 10 *per cent* cost of paddy as bank guarantee and 90 *per cent* cost of paddy through Post Dated Cheque (PDC).

To recover the balance cost of paddy, DMOs of respective districts had deposited the PDCs in the banks. However, the PDCs bounced due to non-availability of fund in the respective account of millers. Thereafter FIRs were lodged against the millers to recover the balance amount of ₹ 73.90 crore. In addition, ₹ 63.47 lakh was also recoverable from an interstate miller. We noticed that the balance cost of paddy (₹ 74.53 crore) could not be recovered from the millers till October 2015.

**Rice was not deposited by the custom millers after expiry of milling schedules in the state**



Government accepted the observation and stated (December 2015) that FIR had been lodged against the defaulting rice millers and the latest status of the cases would be provided to audit.

### 2.2.8.3 Excess payment of milling charges

#### (a) Loss to the GoCG due to payment of milling charges beyond the norms fixed by the GoI

As per instructions issued for fixation of provisional rates of CMR by the GoI, 67 per cent of raw rice should be deposited by the custom millers for which custom milling charges are decided during each KMS. The custom milling charges for raw rice during the KMS year 2010-15, was fixed by GoI as ₹ 10 per quintal. Accordingly, the Department also issued instructions for procurement of paddy, delivery of rice and payment of milling charges.

Loss to the GoCG due to excess payment of milling charges beyond the norms fixed by the GoI

During scrutiny of records of MD, MARKFED it was observed that the proposals for fixation of final cost of milling charges for the KMS 2010-11 and 2011-12 was sent to GoI but the same was not finalized by the GoI. However, the GoCG paid milling charges at the rate of ₹ 40 per quintal for raw rice against ₹ 10 fixed by GoI for the entire KMS year 2010-11 to 2014-15.

Thus, the payment of milling charges over and above the rate fixed by the GoI resulted in loss of ₹ 591 crore to the state exchequer for the KMS 2010-11 to 2014-15(Appendix-2.2.5).

Government while accepting the audit observation stated (December 2015) that the milling charges were not revised by GoI since 2005, In order to encourage the miller and for timely milling, additional expenditure were incurred on the head Milling charges as honorarium.

Fact remains that as per instructions issued for fixation of provisional rates of CMR by the GoI, only 67 per cent of raw rice was to be deposited by millers and rest 33 per cent bye-products were for the millers to keep which was also an incentive for millers. Therefore by payment of additional incentive to millers, GoCG suffered loss of ₹ 591 crore.

#### (b) Undue benefit to custom millers due to non-recovery/adjustment of cost of paddy at CMR cost sheet rate

As per the cost sheet for CMR issued by GoI, for KMS 2012-13 the cost of one quintal of paddy were ₹ 1336.48 and ₹ 1367.89 per quintal for Common and Grade 'A' paddy respectively after inclusion of society commission, administrative charges, mandi labour charges etc. in the MSP.

As per instruction issued (November 2013) by the Department for KMS 2012-13, those millers who had lifted the paddy from the societies/storage centres and who have failed to deposit rice with FCI or CGSCSC upto February 2014, the cost of entire paddy provided would be recovered. However, the rate of paddy for adjustment/recovery from the millers was fixed at ₹ 1285.53 and ₹ 1316.19 per quintal for Common and Grade A paddy respectively which were less than the cost arrived at on the basis of GoI instructions.

Scrutiny of records in MARKFED revealed that DMO, Raipur had recovered ₹ 76.92 crore instead of ₹ 79.95 crore from 56 millers for non-delivery of rice against the lifting of 58927.81 MT of paddy as detailed in table:

**Table 2.2.11: Details of differential cost to be received from millers**

Type of Paddy	Quantity of paddy (quintal)	Rate decided by the GoCG (in ₹)	Amount recovered (₹ in crore)	Rate after inclusion of other charges (in ₹)	Amount to be recovered after inclusion of other charges (₹ in crore)	Loss to the GoCG (₹ in crore)
<b>Common</b>	208407.71	1285.53	26.79	1336.48	27.85	1.06
<b>Grade A</b>	380870.36	1316.19	50.13	1367.89	52.10	1.97
			<b>76.92</b>		<b>79.95</b>	<b>3.03</b>

(Source: Information provided by department and complied by audit)

Thus, non-recovery of amount of paddy at the rate of CMR cost sheet issued by GoI resulted in loss of ₹ 3.03 crore to GoCG.

Government stated (December 2015) that above rates has been fixed due to storage of excess paddy in storage centres in rainy season and lack of interest of miller in milling work. Reply was not justified as non-recovery of amount of paddy at the rate of CMR cost sheet issued by GoI resulted in loss of ₹ 3.03 crore to GoCG.

#### **2.2.8.4 Transportation deficiencies**

##### **(a) Non-lifting of paddy from the tagged and nearest societies/storage centres despite availability**

Scrutiny of 30 millers agreement and payment vouchers for transportation charges pertaining to the KMS 2010-11 to 2012-13, revealed that 8.14 lakh MT paddy was to be lifted from the tagged societies or storage centres mentioned in agreements. Of this 3.87 lakh MT (48 per cent) paddy was lifted from un-tagged societies. For this, transportation charges were paid for upto 75 KM distance. This resulted in extra charge on account of transportation to the millers.

For KMS 2013-14, we checked 103 payment vouchers of millers of six selected districts<sup>6</sup> related to transportation charges and noticed that paddy was available at the nearer procurement/storage centres but delivery order for lifting of paddy from farther centres were issued. Accordingly paddy was lifted by millers by farther centres at higher cost.

Thus, non-lifting of paddy from the nearest societies/storage centres resulted in extra expenditure of ₹ 2.63 crore on account of transportation charges **(Appendix-2.2.6)**.

On this being pointed out, no reply was given by Government.

We recommend that paddy should be lifted by millers only from tagged societies/storage centres and whereas tagging had not been done, registered mills should be tagged to nearest procurement/storage centres to avoid extra transportation charges.

##### **(b) Doubtful transportation of 190.60 MT paddy**

During verification of details of vehicles used in transportation of paddy/CMR

<sup>6</sup> Raipur, Durg, Dhamtari, Rajnandgaon, Bilaspur and Mahasamund

by millers from societies/storage centre from online data base of Transport Department it was observed that in some cases 190.6 MT paddy were transported through Bus, Car, Bike, Tanker and Auto instead of truck which seems doubtful. The details are:

**Table 2.2.12: Details of doubtful transportation of paddy**

District/Storage centre	Vehicle number	Make of vehicle	Quantity transported (MT)
JanjgirChampa/Akaltara	CG 10 G 0363	Bus	17.70
Raipur/Abhanpur	CG 04 B 7957	Car	3.80
Raipur/Lakholi	CG 04 JB 1556	Delivery auto APE	16.60
Rajnandgaon/Tellkadih	CG 08 A 3282	Bike	16.80
Rajnandgaon/Lanjwara	CG 07 NA 3389	Tanker	135.70
Rajnandgaon/Lanjwara	CG 07 LW 5189	Tanker	
Bilaspur/Masturi	CG 12 ZC 0623	Tanker	
<b>Total Quantity transported</b>			<b>190.60</b>

Government stated (December 2015) that as per information provided by concerned DMOs above doubt appeared due to typographical error while entering vehicles numbers in software.

The reply was not justified as no document in support of transportation through truck like challan and gate pass could be produced to audit for verification.

We recommend that proper investigation may be carried out to verify the authenticity of vehicles and genuineness of transportation.

## 2.2.9 Monitoring and Review Mechanism

### 2.2.9.1 Issue of Paddy to millers without Delivery Orders (DO)

On the basis of permission issued by Collector of the District, DMO issues delivery order (DO) to millers for lifting of paddy from procurement or storage centre of MARKFED. The details of procurement or storage centre and quantity of paddy to be lifted are mentioned in the DO which is monitored online.

Scrutiny of records of MD, MARKFED revealed that in the KMS year 2014-15, 11664.58 quintals paddy costing ₹ 1.59 crore was irregularly issued to five millers from the storage centre Pendra , Bilaspur district without issue of DOs.

Government accepted the observation and stated (December 2015) that action has been initiated against the erring officials.

### 2.2.10 Conclusion and Recommendations

- For purchasing paddy, Cash Credit (CC) had been availed by MARKFED from Banks at specified rates. In the event of non-clearance of CC by the end of *Kharif* Marketing Season (KMS), extra interest was also payable. Due to non-disposal of paddy within the season, non-recovery of outstanding amount of ₹ 6097.84 crore from FCI/CGSCSC, delay in submission of loss claim, non-reconciliation of advances from DCCBs, blockage of funds in DGS&D and delay/non-deposition of rice in FCI and CGSCSC by the millers, MARKFED could not clear CC at the end of KMS which resulted in avoidable payment of interest of ₹ 844.68 crore.

MARKFED should make efforts to minimise its interest burden by finalising its annual accounts timely, pursue receivables due from FCI/CGSCSC effectively and ensuring the submission of loss claim at the earliest.

- As per CMR cost sheet, the permissible limit of driage was one *per cent* of the total quantity of paddy stored in storage centres. Inability of MARKFED to dispose of the paddy within the prescribed time limit had resulted in driage beyond the limit of one *per cent*. Consequently GoCG had to bear extra cost of ₹ 96.80 crore as additional driage.

MARKFED should make efforts to dispose the paddy within the KMS to reduce the driage/shortage of paddy in storage centres.

- The transportation charges are reimbursed by the GoI as per CMR cost sheet and any loss on account of transportation charges over the norms are to be borne by the MARKFED which in turn would be reimbursed by GoCG. However, due to non-tagging of mills with the nearest procurement/storage centres, the paddy was issued to millers who were located far despite availability in nearer centres. This resulted in extra cost on account of transportation charge worth ₹ 271.25 crore beyond the norms fixed by GoI.

Paddy should be lifted by millers only from tagged societies/storage centres and if tagging had not been done, registered mills should be tagged to nearest procurement/storage centres to avoid extra transportation charges.

- As per instructions issued (October 2010) by the Department, godowns of State Warehousing Corporation, Central Warehousing Corporation and private parties together with own godowns should be utilised for storage of paddy procured. For storage of paddy in open space, Cap covers, polythene etc. should be utilised. Due to delay in milling, non-availability of covered storage area and storage of paddy in open space without fully covered cap covers, paddy worth ₹ 278.36 crore was damaged.

MARKFED should make efforts to store paddy in covered godowns to reduce the damage of paddy in storage centres.

- As per milling agreement clause 3, after milling of agreed quantity of paddy rice should be deposited by the miller in FCI/CGSCSC within the time schedule prescribed in the agreement. However, 33 rice millers had not deposited 31838 MT rice after expiry of milling schedules in the State resulting in blockage of fund worth ₹ 74.53 crore.
- As per instructions issued for fixation of provisional rates of CMR by the GoI, 67 *per cent* of raw rice should be deposited by the custom millers for which custom milling charges are decided during each KMS. The custom milling charges for raw rice during the KMS year 2010-15, was fixed by GoI as ₹ 10 per quintal. However, GoCG paid milling charges beyond the norms fixed by the GoI resulting in excess payment of milling charges worth ₹ 591 crore.

A market survey should be done to assess the market value of by-product and accordingly rate of milling charges should be revised.

## Education Department

### 2.3 Framework for setting up of Private Universities

#### Executive Summary

Chhattisgarh State Legislature enacted (August 2005) Chhattisgarh Private University (Establishment and Operation) Act, 2005 (the Act) to provide the regulatory framework for establishment and incorporation of self-financed private universities in Chhattisgarh. In exercise of powers conferred under the Act, State Government established (December 2005) Chhattisgarh Private University Regulatory Commission (CGPURC) Raipur. CGPURC consist of a Chairman and two full time members and it functions under the general control of the Visitor (the Governor). CGPURC is responsible for evaluating the proposals and the project report of sponsoring bodies for establishment of private universities. The State Government, if satisfied, considering the report submitted by the CGPURC may establish the private university. A Performance Audit of the framework of setting up of private universities in the state revealed the following :

- As per the Act, the period between the date of establishment of private university and the date of submission of application by the sponsoring body should not be more than two years. However, this provision was not adhered by the State Government while establishing the seven private universities. As a result, two private universities were established after a delay of four months whereas five private universities were established with delays ranged between 21 and 48 months.

**(Paragraph No.2.3.8.1 (a))**

- As per provisions of the Act, admissions and conduct of classes after establishment of the private university was to start only after approval of statutes and ordinances by the State Government. As the approvals were inordinately delayed in case of five universities ranging between five and 29 months of their establishment, consequential delays in admissions and commencement of classes were noticed. Further, in respect of two other private universities established in August 2014, the statutes and ordinances were not approved as of October 2015. As a result, admissions and commencement of classes in these two universities have not commenced.

**(Paragraph No.2.3.8.2)**

- As per the Act and University Grants Commission (Establishment and Maintenance of standards in private universities) Regulations, 2003, the private university should after development of the main campus, in exceptional circumstances, be permitted to open off campus centres and study centres after five years of its coming into existence. However, the Act did not specify the minimum standards and provisions for opening these centres. In the absence of provision for minimum standards, it was not possible to ascertain whether the off campus centres and study centres opened by two universities (Dr. C.V. Raman and MATS Universities) have met all the requirements. Further, the MATS University had been running

the courses of three faculties in their main campus, while the rest four faculties were being run in the off campus centre contrary to the above provisions.

**(Paragraph No.2.3.8.4)**

- CGPURC was neither supported with adequate staff nor appointments of the Members of the CGPURC was made regularly by the State Government. The posts of all the four members of the CGPURC were vacant as of July 2015. Though, the State Government approved 26 posts for the functioning of CGPURC, only 10 posts were filled up and remaining 16 could not be filled even after lapse of six years of the approval. This affected CGPURC in discharge its mandated obligations effectively.

**(Paragraph No.2.3.9.1)**

- The CGPURC have not framed regulations under the Act for performance of its functions including the administration and management of the Commission till July 2015. Further, the inspections of private universities by the CGPURC were not adequate for ensuring maintenance of standards and ascertaining availability of adequate number of qualified teaching staff in the private universities. Also the approval of ordinances of the four private universities without inclusion of course fees and courses of study was indicative of lack of regulatory control by CGPURC.

**(Paragraph No.2.3.10.1 and 2.3.10.2)**

- The Higher Education Institutions, having a record of at least two batches of students graduated or been in existence for six years, whichever is earlier are eligible to apply for the process of Assessment and Accreditation of National Assessment and Accreditation Council (NAAC). Although two private universities (Dr. C.V.Raman and MATS Universities) were established in the State in November 2006, these were not accredited by NAAC as of October 2015. Hence, the qualities of education imparted by them have not been subjected to any evaluation.

**(Paragraph No.2.3.10.6)**

### **2.3.1 Introduction**

Chhattisgarh State Legislature enacted (August 2005) Chhattisgarh Private Universities (Establishment and Operation) Act, 2005 (the Act) to provide for establishment and incorporation of self-financed private universities in Chhattisgarh for imparting higher education and to regulate their functions. In exercise of powers conferred under the Act, State Government made (December 2005) Chhattisgarh Private Universities (Establishment and Operation) Rules, 2005.

As per the Act, the general objectives for establishment of private universities are to provide instructions, teaching and training in higher education and to make provisions for research, advancement and dissemination of knowledge, to create higher levels of intellectual abilities, to establish state of the art

facilities for education and training, to create centres of excellence for research and development and for sharing knowledge and its application.

At the time of creation of Chhattisgarh in November 2000 there were three Government Universities under Higher Education Department. Since then, the number of universities established in the State increased to 14 as of March 2015, which included seven private universities and seven State Government universities (**Appendix-2.3.1**). The status of enrolment of students in these 14 universities during 2010-15 is as give below:

**Table-2.3.1 : Status of student enrolment in the universities**

Sl. No.	Name of university	Enrolled strength					Total	
		2010-11	2011-12	2012-13	2013-14	2014-15		
<b>State Government Universities</b>								
01.	Pandit Ravishankar Shukla University, Raipur	1523	1839	1673	1893	2060	8988	
02.	Surguja University, Ambikapur	196	413	682	307	1027	2625	
03.	Bastar University, Jagdalpur	51	69	113	186	294	713	
04.	Bilaspur University, Bilaspur	Established in the year 2012-13		42	159	201		
05.	Indira Kala Sangeet University, Khairagarh	752	874	1040	1213	1244	5123	
06.	Kushabhau Thakre Patrakarita evam Jansanchar University	129	160	191	586	205	1271	
07.	Pandit Sundarlal Sharma (Open) University, Bilaspur	2756	10301	8487	21327	28977	71848	
<b>Private Universities</b>								
08.	Dr.CV.Raman University, Bilaspur	2147	2695	2465	2198	4660	14165	
09.	MATS University, Arang, Raipur	1466	2528	1824	5070	4874	15762	
10.	Kalinga University, Raipur	Academic session started from 2014-15.				1043	1043	
11.	ICFAI University, Durg	Academic session		32	87	67	186	
12.	ITM University, Raipur	started from 2012-13.		338	652	820	1810	
13.	Amity University, Raipur	Academic session not yet started.						
14.	O.P.Jindal University, Raigarh							

### 2.3.2 Regulatory framework for setting up of private universities

The Act provides for establishment of a Regulatory Commission for the purpose of providing a regulatory mechanism for setting up of private universities and for working as an interface between the State Government and the central regulatory bodies for the purpose of ensuring appropriate standards of teaching, examination and research. In exercise of powers conferred under the Act, State Government established (December 2005) Chhattisgarh Private University Regulatory Commission (CGPURC) Raipur. CGPURC consist of a Chairman and two full time members and it functions under the general control of the Visitor (the Governor).

CGPURC is responsible for evaluating the proposals and the project report of sponsoring bodies for establishment of private universities. After inquiry and evaluation of the proposals, if CGPURC is of the opinion that an opportunity to establish a private university be given to the sponsoring body, it makes its recommendation to State Government. State Government may thereupon issue letter of intent (LoI) to the sponsoring body.

The LoI contains certain conditions, which *inter alia* include, conditions with reference to establishment of main campus, minimum land required for the main campus, minimum built-up area for administrative purposes and the academic programme, submission of an undertaking relating to prescribed requisites of establishing private universities. The sponsoring bodies are required to fulfill these conditions of LoI for establishing a private university in the State.

After receiving the compliance report of the sponsoring body on LoI, CGPURC examines the same and on being satisfied, it sends its report to the State Government. The State Government, may after receipt of the report from CGPURC, ask the University Grant Commission (UGC) for inspection of the proposed private university. UGC shall submit the report within a maximum period of three months or else the State Government may take such decision as it may deem fit. The State Government, if satisfied, considering the report submitted by the CGPURC and inspection report of the UGC, if any, may establish the private university.

One of the conditions for establishing private universities is that the admission and conduct of classes shall not be started till concerned Statutes and Ordinances are approved. For the purpose, private universities shall submit its First/Subsequent Statutes and First/Subsequent Ordinances to CGPURC for approval.

These Statutes and Ordinances may be related to matters, viz. the constitution, power and functions of governing body, the Board of Management and the Academic Council, the terms and conditions of appointment, powers and functions of the Vice-Chancellor, Registrar, Chief Finance and Accounts Officer, other officers and teachers, creation of posts and procedures for their abolition, accounting policy and financial procedures, course fee, details of courses of study to be prescribed for the degrees, diplomas and certificates of the private university, admission of students and condition for award of fellowships, scholarship, stipends, medals and prizes.

### **2.3.3 Organisational Set- up**

CGPURC functions under the general control of the Visitor (the Governor). Higher Education Department (Department), headed by Principal Secretary, is responsible at state level for establishment of private universities. The State Government may issue directions on matters of policy to the Regulatory Commission which shall be binding.

### **2.3.4 Audit objectives**

The audit objectives of the Performance Audit were to ascertain whether:

- setting up of private universities confirmed to the provisions made in the Act;
- institutional arrangements for setting up of private universities were adequate and functioning effectively with reference to the Act and subsequent amendments; and



- monitoring mechanism was adequate to ensure adherence to norms of UGC and related regulatory body or regulatory council to maintain the standards of degrees, diplomas, certificates and other academic distinction awarded by private universities.

### 2.3.5 Audit criteria

The audit criteria for the Performance Audit were derived from the following sources:

- The Chhattisgarh Private Universities (Establishment and Operation) Act, 2005;
- The Chhattisgarh Private Universities (Establishment and Operation) Rules, 2005;
- UGC Act 1956, UGC (Establishment and maintenance of standards in Private Universities) Regulation, 2003;
- Periodical monitoring reports;
- Amendments, Notifications, Rules, Orders and Instructions issued by the Government from time to time.

### 2.3.6 Audit Scope, Coverage and Methodology

An entry conference was held on 19 May 2015 with the Principal Secretary, Higher Education Department to discuss the audit objectives, criteria and audit coverage of the Performance Audit. The records of CGPURC and the Higher Education Department, Raipur in respect of establishment of all seven existing private universities (**Appendix-2.3.1**) in the State for the period 2010-11 to 2014-15 were test checked between April 2015 and July 2015. The exit conference was held with the Principal Secretary, Higher Education Department on 5 October 2015. The replies of the Department have been suitably incorporated.

### 2.3.7 Scope limitations

We requested (May-July 2015) the Principal Secretary, Higher Education Department and Principal Secretary, office of the Governor of Chhattisgarh to facilitate in providing the search committee files pertaining to appointment of Chancellors, Vice Chancellors of the private universities and Chairman and Members of the CGPURC. However, the same were not made available to audit. As a result, scrutiny of these records could not be done in audit.

### Audit findings

#### 2.3.8 Setting up of private universities

##### 2.3.8.1 Issuance of LoI and verification of its compliance

As per Section 7 of the Act, LoI issued by the Government shall contain various conditions, such as, establishment of main campus, endowment fund, minimum land & built-up area and an undertaking on relating to prescribed requisites of establishing private universities. CGPURC examines the

compliance report of sponsoring bodies and on being satisfied, it sends its report to the State Government. The Government, if satisfied after considering the report of CGPURC, shall establish the private university. Audit scrutiny of issuance of LoI and compliance thereof revealed the following :

**(a) Non-provision of time limit for compliance of LoI and issue of notifications for establishment of private university**

As per Section 9 (2) of the Act, a private university should be deemed to have been incorporated from the date of amendment in the schedule to the Act by the State Government, provided that, the period between the date of incorporation and the date of submission of the application by the sponsoring body should not be more than six months. However, this period of six months was increased to two years by the State Government in March 2011.

Of the seven private universities established in the State, two private universities were established prior to the period 2010-11 and remaining five private universities were established during 2010-11 to 2014-15.

We observed that the State Government did not adhere to the time schedule of six months in respect of two universities while issuing notification prior to raising the time limit. It also failed even to adhere the time limit of 24 months in respect of issue of notification of five universities. The delays in this regard ranged from four to 48 months as detailed below:

**Table-2.3.2 : Details of issue of notification for establishment of private universities**

Sl. No.	Name of private university	Date of submission of proposal	Date of issue of notification of private university	Stipulated period for incorporation as per Act (in months)	Period taken for incorporation (in month)	Delay (in months)
01.	Dr. C. V. Raman University, Bilaspur	18.01.2006	03.11.2006	06	10	04
02.	MATS University	28.12.2005	03.11.2006	06	10	04
03.	Kalinga University	06.01.2006	25.03.2011	24	62	38
04.	ICFAI University	30.01.2006	25.03.2011	24	62	38
05.	ITM University	23.02.2006	03.02.2012	24	72	48
06.	O.P. Jindal University	17.08.2010	21.08.2014	24	48	24
07.	Amity University	08.10.2010	21.08.2014	24	45	21

Source : Compiled in audit from the information provided by the CGPURC

Further, the Act provides time limit of 52 days to CGPURC for scrutiny of proposal of sponsoring body and submission of recommendations to the State Government for issue of LoI. It also provides a time limit of 15 days for verification of compliance report submitted by the sponsoring body and submission of report to the State Government for issue of notification for incorporation of private university. However, the Act did not provide any time limit either for the sponsoring body for submission of compliance report after issue of LoI or for the State Government for issue of notification after receipt of report of CGPURC. As a result, there were delays in establishing four out of seven private universities at these two stages as detailed below:

**Though the Act provided maximum 24 months for incorporation of a private university from the date of submission of the application by the sponsoring body, it did not provide time limit either for the sponsoring body for submission of compliance report or for the State Government for issue of notification**

**Table-2.3.3 : Details showing period taken in establishment of private universities**

Sl. No.	Name of private university	Date of issue of LoI	Date of compliance of LoI by sponsoring body	Period taken by the sponsoring body for compliance (in months)	Date of issue of notification for incorporation	Period taken by the State Government for issue of notification (in months)
01.	Kalinga University	24.02.2006	28.02.2008	24	25.03.2011	37
02.	ICFAI University	04.04.2006	09.04.2008	24	25.03.2011	22
03.	O.P. Jindal University	31.03.2011	24.08.2012	17	21.08.2014	24
04.	Amity University	31.03.2011	12.03.2012	11	21.08.2014	30

Source : Compiled in audit from the information provided by CGPURC.

Thus, as evident from the above table the sponsoring bodies had taken a period of 11 to 24 months for compliance of the LoI, while the State Government had taken a period of 22 to 37 months for issue of notification for establishment of these private universities.

The Principal Secretary stated that the delays were due to delayed approval of the proposal by the cabinet and was administrative in nature.

We recommend that the State Government may fix time frames at each stage of the approval process to avoid delays.

**(b) Establishment of private university without ensuring fulfillment of conditions of LoI**

As per Section 7(3) of the Act, the sponsoring body should make available a minimum built up area of 25,000 square feet for administrative purpose and for conducting the academic programmes. Further, ownership paper of the property was to be submitted. In case of leased property, the lease should be at least for 30 years and to be taken from State Government or its agencies.

We observed that the compliance report of MATS University was accepted with an undertaking that it would start academic activities in the university only after making available a minimum built up area of 25,000 square feet within the proposed campus (Gullu, Arang). However, the sponsoring body of the MATS University provided the built up area at a different location at Pandri, Raipur taken on lease (for the period April 2004 to March 2013) from a private party in violation of the pre conditions stipulated in the Act. Despite that the CGPURC submitted (March 2006) its compliance report regarding establishment of the MATS University to the State Government. Accordingly, the State Government established (November 2006) the MATS University.

Thus, the acceptance of proposal of MATS University on an undertaking and consideration of the leased property, which was not within the proposed premises was contrary to the provisions of the Act.

In the exit conference, the Principal Secretary stated (October 2015) that letter would be issued to the CGPURC for ascertaining the availability of minimum built up area.

**CGPURC recommended the compliance report of MATS University without ensuring fulfillment of conditions of LoI**

### 2.3.8.2 Non stipulation of maximum time period for publication of statute and ordinances in the official gazette

As per the Act, for establishment of private university, the sponsoring body is required to give an undertaking that the admissions and conduct of classes should not be started till concerned statutes and ordinances governing the private universities are approved as per provisions of the Act. The first statutes for the private university should be made by the Governing Body and the first ordinances of the private university should be made by the Vice Chancellor. These first statutes and ordinances should be submitted to the CGPURC for approval. All statutes and ordinances should come into force after its publication in the official gazette.

The Act did not prescribe time limit for submission of statutes and ordinances by the private universities and for its approval by the State Government

We observed that though the Act provided a period of two months to the CGPURC for consideration of the first statutes and ordinances from the date of their receipt, it did not prescribe the time limit for submission on the part of the private universities and the State Government for approval. As a result, the first statutes and ordinances of five universities were notified in the official gazette only after five to 29 months period of their establishment while for two universities these were not notified even after lapse of 11 months of their establishment. Further, the private universities have submitted these statutes and ordinances after a period ranging between four to 26 months of the notifications as detailed in **Appendix-2.3.2**.

Besides, the private universities did not formulate the regulations for terms and conditions of service of employees though these were left for the Governing Body of the private universities in the statutes to finalise.

In the exit conference, the Principal Secretary stated that efforts would be made to minimise the delay in future.

We recommend that the State Government may make efforts to finalise the statutes and ordinances within a stipulated time frame so that the admissions and conduct of classes could start as soon as private universities are established.

The ICFAI Society, Raipur failed to develop its university campus as envisaged in their project proposal and could invest ₹ 10.85 crore against the targeted investment of ₹ 20.65 crore as on March 2014

### 2.3.8.3 Inadequate development of campus by ICFAI University

The Institute of Chartered Financial Analysts of India (ICFAI) University, Raipur proposed by ICFAI Society, Raipur (sponsoring body) was established (March 2011) by the State Government. The first ordinance of the ICFAI University, Raipur was also published (December 2011) in the official gazette by the State Government for offering 28 courses in seven faculties such as Management, Commerce, IT, Arts and Humanities, Law, Education and Science. In the proposal for establishment of the university, the ICFAI Society, Raipur envisaged an investment of ₹ 24.03 crore and an enrolment target of 1,140 students in first four years of its establishment.

We observed (June 2015) that the ICFAI Society, Raipur invested only ₹ 10.85 crore for development of its campus against the targeted investment of ₹ 20.65 crore up to March 2014. CGPURC in their inspection note (January 2014 and February 2015) observed that hostel facility, residence of Chancellor and Vice Chancellor, canteen facility, sufficient built up area for academic courses were not developed in the university campus.

It was also noticed that the university could enroll 69 students only during the academic sessions 2011-12 to 2014-15 in four courses against the approved enrolment strength of 240. Further, out of the envisaged 28 courses in seven faculties, the university could offer four courses in four different faculties as detailed below :

**Table-2.3.4: Enrollment status of ICFAI University**

Sl. No.	Course	Approved enrolment per year	Actual enrollment			
			2011-12	2012-13	2013-14	2014-15
01.	B. Tech	60	23	08	30	03
02.	BBA	60	Nil	Nil	03	Nil
03.	BCA	60	Nil	Nil	02	Nil
04.	MBA	60	Nil	Nil	Nil	Nil
Total		240	23	08	35	03

Source: CGPURC

Thus, ICFAI University failed to develop the campus and enroll students as per their envisaged targets.

In the exit conference, the Principal Secretary stated that directions would be issued to the management for development of campus as envisaged in the Detailed Project Report.

We recommend that the State Government may issue directions to the ICFAI University for development of campus and offer the courses as envisaged in their project proposal with a time limit.

#### **2.3.8.4 Non stipulation of standards for off-campus centres and study centres in the Act**

As per the Act, “Off campus Centre” means centre of the private university established outside the main campus but within the State, operated and maintained as its constituent unit. Similarly, “Study Centre” means centre established in the State and maintained by the private university for the purpose of advising, counselling or for rendering any other assistance required by the students in the context of distance education.

Further, as per para 3.3 and 3.3.1 of the UGC (Establishment and Maintenance of standards in private universities) Regulations, 2003 a private university established under a State Act should after the development of main campus, in exceptional circumstances, be permitted to open off-campus centres and study centres after five years of its coming into existence.

The CGPURC accorded (February 2012) provisional permission to MATS University to open one off campus centre at Pandri, Raipur and 27 study centres at different districts of the State. Similarly, the CGPURC also permitted (July 2013) Dr. C.V. Raman University to open one off campus centre at Durg and 90 study centres at different districts of the State.

We observed that even though the meaning of “Off Campus Centre” and “Study Centre” are defined in the Act, it is silent on the requirement of minimum standards and provisions for opening these centres. In the absence of provision for minimum standards, it was not possible to ascertain whether the off campus centres run by the universities have met all the requirements.

Further, the MATS University had been running the courses of three faculties (Engineering and Information Technology, Education and Law) in their main

**The Act did not prescribe requirement of standards for opening “Off Campus Centre” and “Study Centre” after establishment of private universities**

campus, while the rest of the courses of four faculties (Management Studies, Life Sciences, Arts and Humanities, Business and Commerce) were being run in the off campus centre at Pandri. This indicated that the MATS University had not fully developed the campus and had been running the off campus centre in contrary to the UGC Regulations, 2003.

In the exit conference, the Principal Secretary agreed to propose amendments to the Act 2005 for finalisation of standards required for opening off-campus and study centres.

We recommend that the State Government may prescribe minimum required standards for opening “off campus centres” and “study centres” by the private universities.

### 2.3.9 Institutional arrangements of CGPURC

#### 2.3.9.1 Manpower management of CGPURC

The State Government established (December 2005) CGPURC for the purpose of providing regulatory mechanism at the State level and for working as an interface between the State Government and the central regulatory bodies. However, it could not fill up the posts of Chairman and members on various occasions. Moreover, the posts of all the four members of the CGPURC were vacant as of July 2015 as detailed below :

**Table-2.3.5 : Periods of vacancy of posts of CGPURC**

Sl. No.	Name of authority	Period of vacancy	Total months
01.	Chairman	17.08.2007 to 15.01.2008	05
		16.01.2011 to 02.08.2011	06
		01.07.2013 to 24.09.2013	03
02.	Member-I (full-time administration)	09.02.2006 to 18.06.2006	04
		17.01.2008 to 19.03.2008	02
		20.03.2011 to continued (July 2015)	54
03.	Member-II (full-time academic)	10.03.2011 to 20.06.2012	15
		21.06.2015 to continued (July 2015)	02
04.	Member-I (part-time)	10.03.2008 to 04.02.2009	10
		05.02.2012 to continued (July 2015)	54
05.	Member-II (part-time)	10.03.2008 to 04.02.2009	10
		05.02.2012 to continued (July 2015)	54

Source : CGPURC

We observed that the State Government approved (29 August 2009), 26 posts for the functioning of CGPURC. Of this, 10 posts were filled up and remaining 16 could not be filled even after lapse of six years of the notification as detailed in **Appendix-2.3.3**. This included posts of Dy. Director, Accounts Officer and Programmer for which even minimum required qualifications were not decided till October 2015.

Secretary, CGPURC stated (September 2015) that it had been writing to the State Government from time to time for permission to fill up the vacant posts while the Principal Secretary stated (October 2015) that to fill the vacant posts, the CGPURC has to do the needful at its end. The Principal Secretary also stated that the State Government had recently appointed one full time member and approval process for appointment of other members were in progress.

The posts of CGPURC were not filled on various occasions

The replies of the CGPURC and the State Government indicated lack of co-ordination between them. This had resulted in absence of deployment of manpower at crucial positions to deliver the mandate of the organization.

As CGPURC is responsible for exercising regulatory functions, shortage of manpower had been noticed as one of major impediment in delivery of its mandate as discussed in paragraphs 2.3.10.1 to 2.3.10.7.

We recommend that the State Government may take steps to fill the vacant posts of CGPURC and regular appointment of members be done so that the CGPURC can perform its duties effectively.

### **2.3.10 Monitoring of operation and management of private universities**

#### **2.3.10.1 Lack of monitoring by CGPURC**

As per Section 36(8) of the Act, it shall be the general duty of the CGPURC to:

- (i) take all such steps as it considers necessary for determination and maintenance of standards of teaching, examination and research in the private university;
- (ii) ensure that private universities collect only such fees and other charges, which cover the cost of education imparted by them and also give a reasonable surplus to enable them to maintain assets and carry out further expansion;
- (iii) ensure that the teachers of the private university have at least the minimum educational qualifications prescribed by the UGC or other regulatory bodies;
- (iv) ensure that the staff of the private university is appointed in conformity with the statutes, ordinances and norms or guidelines prescribed by the UGC and other concerned statutory bodies; and
- (v) ensure that students enrolled in the private university are not exploited and no unethical means are adopted to collect undue or excessive fee from them.

Audit scrutiny revealed that CGPURC could not carry out its general duty as prescribed in the Act, which are discussed below.

- **Non-framing of regulation for performance of functions**

Rule 12 (1) of Chhattisgarh Private Universities (Establishment and Operation) Rules 2005 stipulates that CGPURC shall lay down the procedures for performance of its functions and the administration and management of the Commission in the form of Regulation.

Scrutiny revealed that no regulations had been framed by CGPURC for performance of its functions and the administration and management of the Commission till July 2015.

- **Deficient inspection of private universities**

To ascertain the maintenance of standard by the private universities, annual inspections of all the private universities are carried out by the CGPURC.

**CGPURC did not frame required regulations to perform its functions**

After inspections, the CGPURC issues inspection notes to the concerned private universities for compliance.

We observed that CGPURC did not provide any check list for ascertaining the maintenance of standards by the private universities like requirement of infrastructure, faculty-wise teaching staff and laboratory equipment. The inspection notes did not carry any information about the standards maintained by universities, shortages of qualified teachers, need of curriculum as per central regulatory bodies and requirement of infrastructure. These inspections thus could not reveal the exact status of maintenance of standards by the universities. This could be because of shortage of members to carry out the inspection properly.

In the exit conference, the Principal Secretary stated that CGPURC would be requested to ensure adequate inspection of the private universities.

**CGPURC did not monitor standards of teaching in private universities**

- **Non monitoring of standards of teaching in private universities**

As per Section 36 (8) (c) and (d) of the Act, it shall be the general duty of the CGPURC to ensure that the teachers of the university have at least the minimum educational qualifications prescribed by the UGC or other regulatory bodies and the staff of the private university is appointed in conformity with the statutes, ordinances and norms/guidelines prescribed by the UGC and other concerned statutory bodies.

The status of working strength of teaching staff of five universities against their sanctioned strength is detailed in the table below:

**Table-2.3.6: Status of teaching staff of private universities**

Sl. No.	Name of the university	Sanctioned strength of teaching staff	Working strength of teaching staff	Shortage (percentage)	Number of teachers appointed on regular basis (percentage)
01.	MATS university	278	163	115 (41)	10 (6)
02.	Dr. C. V. Raman University	200	182	18 (9)	07 (3)
03.	ICFAI university	47	16	31 (66)	--
04.	ITM university	80	45	35 (44)	--
05.	Kalinga university	62	55	07(11)	37 (67)

Source : As per Administrative Report of the Higher Education Department and as provided by the concerned universities

It could be seen from the above table that the teaching staff engaged by the universities were less than their sanctioned strength ranging from nine to 66 *per cent* of sanctioned strength. Further, regular appointments ranged only between three and 67 *per cent* of working strength.

Though CGPURC was mandated to ensure that the teachers of the university have at least the minimum educational qualifications prescribed by the UGC or other regulatory bodies and be paid appropriate emoluments, but relevant information to ensure compliance of these conditions by the private universities were not available with them. Although these information were sought for in audit, nothing was furnished (October 2015).

This indicated that CGPURC failed to ensure the standards and quality of teaching staff engaged by the private universities.



In the exit conference, the Principal Secretary stated that directions were being issued to all the private universities to get accreditation from the NAAC and also directed them to appoint regular teaching staff as per requirement of the respective regulatory bodies.

We recommend that the State Government may issue necessary directions to the CGPURC to ascertain the engagement of teachers explicitly as prescribed by the regulatory bodies in a fixed time frame.

- **Lack of control over finalisation of course fees**

As per Section 36 (8) (b) of the Act, the CGPURC should ensure that private universities collect only such fees and other charges which cover the cost of education imparted by them. Further, as per Section 26 (1)(i) and (j) of the Act, the first statute of the university may provide the provisions regarding fee to be charged from students, concession for the categories of BPL, SC/ST, handicapped and girls. Also as per Section 27 (g) of the Act, the subsequent statutes of the university may provide for revision of fees.

We observed that the statutes and ordinances of three (MATS University, Kalinga University and ITM University) universities did not provide the fee structure of courses and left it at the direction of Board of Management and Academic Council of the universities to decide from time to time. As regards Dr. C.V. Raman University, the fees structures of different courses were provided in the first ordinances (4 to 42) with the provision to change by the Board of Management of the university from time to time. However, the subsequent ordinances (43-90 and 98-105) were approved without including the fee structures. In these ordinances, determination of course fees was left at the discretion of the Board of Management. As a result of above provisions/flexibility, the CGPURC had no role in finalization of fee structure for the courses. Further, subsequent statute for revision of fees was also not being submitted by the University to CGPURC.

Thus, the finalization of course fee without the consent of CGPURC indicated lack of control over finalization of course fees and failure to implement the relevant provisions of the Act.

In the exit conference, the Principal Secretary stated that the Admission and Fees Regulation Committee ensures fixation of fees in the private universities offering professional and technical courses. For conventional stream, no such committee exists, but the State Government had not received any complaint of exorbitant fees being charged by the private universities. However, letter would be issued to the CGPURC to take necessary steps to make control over the fees being charged by the private universities for the courses offered on conventional stream.

We recommend that the Act may be adhered to in the fixation of fees.

### **2.3.10.2 Approval of ordinances of the universities without inclusion of course of study**

As per the Act, CGPURC is responsible for determination and maintenance of standards of teaching, examination and research in the private universities.

Further, as per section 28 (1) (b) of the Act, the first ordinance may provide for details of courses of study to be laid down for the degrees, diplomas and certificates of the private university.

We observed that no such details of course of study for the courses offered by two universities (ITM University and Kalinga University) were included in the respective ordinances. The subsequent ordinances of Dr. C.V. Raman University (43 to 111) and MATS University (39 to 82) approved in June 2011 and July 2011 respectively did not include the course structure. It was left for the Board of Studies/ Academic Council/ Governing Body to decide at the time of commencement of courses.

Thus approval of ordinances without inclusion of courses of study indicated deficient regulatory control on the part of the CGPURC.

In the exit conference, the Principal Secretary stated that letter would be issued to the CGPURC to take necessary steps for ensuring their control over finalisation of course of study in the ordinances.

#### **2.3.10.3 Approval of technical and management courses without ascertaining standards of central regulatory body**

As per All India Council for Technical Education (AICTE) Act 1987, AICTE (central regulatory body) is responsible for ensuring coordinated and integrated development of technical and management education and maintenance of standards thereof. However, approval of AICTE for running technical and management courses is not mandatory.

We observed that out of five universities only three universities (MATS University, Dr. C.V.Raman University and Kalinga University) had been running the technical and management courses upon obtaining approval from AICTE. The rest two universities (ITM and ICFAI Universities) had been running technical and management courses only as per ordinances approved by the State Government but without approval of AICTE. Since CGPURC had not been equipped with approved set-up and no checklist for ensuring the standards as per requirement of central regulatory body (AICTE) were put in place, it could not be ascertained in audit that the technical and management courses offered by these two universities confirm to the standards of AICTE.

In the exit conference, the Principal Secretary stated that letter would be issued to the CGPURC to take necessary steps for ascertaining that standards prescribed by central regulatory bodies are followed by the private universities offering technical and management courses.

#### **2.3.10.4 Approval of ordinances for Open and Distance Learning Courses of MATS University prior to approval from University Grants Commission**

The Distance Education Council (DEC) was established (1991) under the Indira Gandhi National Open University (IGNOU) Act, 1985 for the promotion, co-ordination and maintenance of standards in the Open and Distance Learning (ODL) system in the country. The DEC issues two types accreditation such as Institutional Accreditation and Programme Accreditation. Subsequently, the regulatory function of the ODL system was transferred (May 2013) from DEC, IGNOU to UGC.

As per provision of the Act 2005, the sponsoring body should submit an undertaking that the programmes of study leading to a degree and/or a postgraduate degree/diploma offered by a private university should conform to the relevant regulations/norms of the UGC or the concerned statutory bodies as amended from time to time.

We noticed that DEC accorded (February 2008) institutional accreditation to MATS University on provisional basis for offering programmes through ODL mode for one year (2009-10). However, based on recommendations of an expert committee constituted by the UGC, the MATS University was denied (August 2013) recognition to offer any programmes through ODL.

Meanwhile, the State Government approved (July 2011) 39 ordinances of the MATS University for offering various courses through distance mode although programme accreditation for these courses was not taken. Subsequently 20,049 students were admitted to different courses by the MATS University during the sessions 2011-12, 2012-13 and 2013-14. Of this, 8,777 students were declared as passed during 2011-12 and 2012-13.

Thus, the approval of ordinances by the State Government without ensuring programme accreditation and failing to maintain institutional accreditation for running the ODL mode of education had put the future of the students to uncertainties. Moreover, the possibility of de-recognition of degrees/diplomas offered by the university during the intervening period can't be ruled out.

In the exit conference, the Principal Secretary stated that the CGPURC had already been instructed to verify the issue.

#### **2.3.10.5 Irregular admission of students by Kalinga University**

Kalinga University started (2014-15) B.Sc (Agriculture) course and admitted students without approval of relevant ordinances. On being pointed out (August 2014) by the CGPURC, the Kalinga University suggested the students either to transfer their branches to other courses or to get the fee refunded. However, the university did not furnish the information on actual number of students admitted by them and actual fee collected even after two reminders from CGPURC as of August 2014.

We observed that CGPURC did not take any further action against the university. This indicated ineffective control of CGPURC over the university. Present status asked (November 2015) for by CGPURC was not responded (November 2015).

In the exit conference, the Principal Secretary stated that the matter would be verified through the CGPURC.

#### **2.3.10.6 Non accreditation by National Assessment and Accreditation Council**

The National Assessment and Accreditation Council (NAAC) assess and accredit institutions of higher education in India. It is an autonomous body funded by UGC. The NAAC has been set up to facilitate the volunteering institutions to assess their performance vis-a-vis set parameters through introspection and a process that provides space for participation of the institution.

The Higher Education Institutions, having a record of at least two batches of students graduated or been in existence for six years, whichever is earlier are eligible to apply for the process of Assessment and Accreditation (A&A) of NAAC

**Though Dr. C.V.Raman University and MATS University are in existence in the State for eight years, assessment and accreditation of these two private universities by NAAC were not yet done**

We observed that out of seven private universities established in the State, two private universities, (Dr. C.V.Raman University, Kota and MATS University, Arang, Raipur) were established (November 2006) more than eight years back. However, assessment and accreditation of these two private universities by NAAC were not done as of October 2015. As per information provided by these two universities, the assessment and accreditation process by NAAC was under progress. Since the private universities were not yet assessed by NAAC, it was not possible to comment on the quality of education imparted by them.

In the exit conference, the Principal Secretary stated that directions were being issued to all the private universities to get accreditation from the NAAC

We recommend that as a good practice the State Government may persuade the private universities to assess and accredit their performance by NAAC to ascertain their standards.

### 2.3.10.7 Annual Report and audited accounts of Private Universities

As per Section 27 (1) of the Act, the university may provide the matter of accounting policy and procedure in the subsequent statutes after the first statutes. As per section 38 (3), a copy of annual accounts and audit report of the private university along with the observations, if any, of the Governing Body should be submitted to the Visitor (Governor of Chhattisgarh) and CGPURC. Further, as per Section 12 (a) of the Act one *per cent* of the fees collected from the students should be deposited with the CGPURC within 15 days of the month next to the month in which such fees are received. CGPURC should credit the amount of fees received from the private universities within 15 days in the treasury.

We observed that none of the private universities mentioned the matter of accounting policy and procedure in any of the statutes. Further the submission of annual audited accounts were also in arrears as detailed in the table below :

**Table-2.3.7 : Status of submission of audited accounts**

Sl. No.	Name of private university	Arrears of submission of audited accounts
01.	Dr. C.V. Raman University	2014-15
02.	MATS University	2014-15
03.	ITM University	2014-15
04.	Kalinga University	2011-12 to 2014-15
05.	ICFAI University	2014-15

Source : Compiled by Audit from information furnished by CGPURC.

Scrutiny of the audited accounts of MATS University revealed that the University submitted the annual audited accounts of the sponsoring body to the CGPURC instead of submitting audited accounts of the university. This was violation of Section 38 (1) of the Act which required preparation of separate annual accounts including balance sheet of the private university.

As a result of delay in submission of accounts by the private universities, the CGPURC noticed (March 2014) that the one *per cent* of the fees being paid by

three universities (MATS University, Dr. C.V. Raman University and ICFAI University) was not correct for the period between 2008-09 to 2013-14. The fact was noticed by the CGPURC at the time of reconciliation with the academic receipts of the private universities, after lapse of six years. The CGPURC found that an amount of ₹ 41.61 lakh was deposited less by the private universities. Subsequently, the CGPURC directed the private universities to deposit the difference. However, the instruction was not complied by the universities.

In the exit conference, the Principal Secretary stated that letter would be issued to the CGPURC to issue necessary directions to the private universities for compliance of these provisions and details are being asked from the CGPURC for verification.

We recommend that the State Government and CGPURC may put in place a control mechanism to avoid delayed submission of accounts by the private universities.

### 2.3.11 Conclusion and Recommendations

- Although under the Act, the period between the date of establishment of private university and the date of submission of application by the sponsoring body should not be more than two years, two private universities were established after a delay of four months whereas five private universities were established with delays ranged between 21 and 48 months.

We recommend that the State Government may fix time frames at each stage of the approval process to ascertain and adhere to the stipulated time period provided in the Act.

- Under the Act, admissions and conduct of classes was to commence only after approval of statutes and ordinances by the State Government. However, approvals were inordinately delayed in case of five universities ranging between five and 29 months of their establishment resulting in delayed admissions and commencement of classes. In respect of two other private universities established in August 2014, the statutes and ordinances were not approved as of October 2015. As a result, admissions and commencement of classes in these two universities have not commenced.

We recommend that the State Government may make efforts to finalise the statutes and ordinances within a stipulated time frame so that the admissions and conduct of classes could start as soon as private universities are established.

- The private university should after development of the main campus, in exceptional circumstances, be permitted to open off campus centres and study centres after five years of its coming into existence. However, the Act did not specify the minimum standards and provisions for opening these centres. In the absence of provision for minimum standards, it was not possible to ascertain whether the off campus centres and study centres opened by two universities (Dr. C.V. Raman University and MATS University) have met all the requirements. Further, the MATS University had been running the courses of three faculties in their main campus, while the rest four faculties were being run in the off campus centre contrary to the above provisions.

We recommend that the State Government may prescribe minimum required standards for opening “off campus centres” and “study centres” by the private universities.

- The CGPURC have not framed regulations under the Act for performance of its functions including the administration and management of the Commission till July 2015. Further, the inspections of private universities by the CGPURC were not adequate for ensuring maintenance of standards and ascertaining availability of adequate number of qualified teaching staff in the private universities. Also the approval of ordinances of the four private universities without inclusion of course fees and courses of study was indicative of lack of regulatory control by CGPURC.

CGPURC should frame the required regulations and strengthen its Inspection to ensure fulfillment of its general duty prescribed under the Act.

- The Higher Education Institutions, having a record of at least two batches of students graduated or been in existence for six years, whichever is earlier are eligible to apply for the process of Assessment and Accreditation of National Assessment and Accreditation Council (NAAC). Although two private universities (Dr. C.V.Raman and MATS Universities) were established in the State in November 2006, these were not accredited by NAAC as of October 2015. Hence, the qualities of education imparted by them have not been subjected to any evaluation.

We recommend that as a good practice the State Government may persuade the private universities to assess and accredit their performance by NAAC to ascertain their standards.

- CGPURC was neither supported with adequate staff nor appointments of the Members of the CGPURC was made regularly by the State Government. The posts of all the four members of the CGPURC were vacant as of July 2015. Though, the State Government approved 26 posts for the functioning of CGPURC, only 10 posts were filled up and remaining 16 could not be filled even after lapse of six years of the approval. This affected CGPURC to discharge its mandated obligations effectively.

We recommend that the State Government may take steps to fill the vacant posts of CGPURC and regular appointment of members be done so that the CGPURC can perform its duties effectively.

## HOUSING AND ENVIRONMENT DEPARTMENT

### 2.4 Enforcement and Compliance to Environmental Laws and Rules in Chhattisgarh

#### Executive Summary

The Chhattisgarh Environment Conservation Board (CECB) is the main agency in the State for enforcement and compliance of environmental laws and rules in Chhattisgarh. CECB has been performing its functions enumerated under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981. The major audit findings are:

#### **Planning**

- CECB did not take steps to integrate the policies of other departments with the environment policy of the State. It also did not formulate any comprehensive programme for prevention, control and abatement of pollution of streams, wells, air and advise the State Government to execute these through a suitable mechanism. As a result the basic objective of environment policy to ensure environmental conservation and protection by engagement of various departments could not be met.

(Paragraph No. 2.4.7.1 & 2.4.7.2)

#### **Financial Position of the CECB**

- Only 27 to 47 *per cent* of available funds were spent by CECB. CECB did not prepare the Annual Accounts i.e. Receipts and Payments, Income and Expenditure and the Balance Sheet since April 2007. As a result revenue receipt and the expenditure incurred by the CECB could not be verified.

(Paragraph No.2.4.8.1 & 2.4.8.2)

#### **Enforcement of environmental laws and rules**

- During 2012-2014, only one to two *per cent* of trade effluent in Raipur, two to seven *per cent* in Durg, zero to 53 *per cent* in Korba districts was tested whereas no substantive tests were conducted in Raigarh district by the CECB. Further, adverse test reports of trade effluent ranged from 35 to 45 *per cent* in Raipur, 31 to 63 *per cent* in Durg and 10 to 59 *per cent* in Korba were noticed but no corrective action was taken by CECB. Thus, the compliance to environmental rules was not ensured by the industries.

(Paragraph No.2.4.9.2)

- Out of 355 test checked small industries, 50 industries were established without obtaining environmental consent from CECB and 197 industries had not renewed their consent even after lapse of one to 174 months. Also, irregular consent was issued to 42 coal based power plants and sponge iron plants in restricted area. As a result these industries had continued their operation without adhering to the environmental laws and rules.

(Paragraph No. 2.4.9.5 to 2.4.9.7)

• Central Pollution Control Board along with CECB had prepared (April 2010) 'Korba Action Plan' identifying seven major industries and suggested actionable points such as up gradation of electrostatic precipitator, 100 per cent utilisation of fly ash generated and using coal of better quality to mitigate the pollution. However, compliance to the points was not done by the identified industries. As a result Korba remained a "critically polluted area" since last five years.

**(Paragraph No. 2.4.12.1)**

• There was acute shortage of manpower in CECB. Vacancies in the posts of Assistant Engineer and Sub Engineer were to the extent of 89 per cent whereas 63 per cent vacancies existed in the post of Senior Scientific Officer, Chief Chemist, Scientist, Junior Scientist, and chemists. Further, 18 per cent and 25 per cent post of lab assistant/attendant and other staff respectively were vacant. Besides shortage of manpower, 17 to 47 per cent of the laboratory equipments in CECB were not in working condition. This adversely affected the collection and testing of samples and conduct of inspection. Owing to these shortages/deficiencies, CECB failed to discharge its mandate effectively under the Acts.

**(Paragraph No.2.4.15.1 & 2.4.16.1)**

#### **2.4.1 Introduction**

To address pollution issues, the Parliament enacted (March 1974 and March 1981) the Water (Prevention and Control of Pollution) Act, 1974 (Water Act) and Air (Prevention and Control of Pollution) Act, 1981 (Air Act) for prevention and control of water and air pollution. With a view to augment the resources of the Central and the State Boards for prevention and control of water pollution, the Water (Prevention and Control of Pollution) Cess Act, 1977 (Water Cess Act) was enacted (December 1977) by the Parliament to provide for the levy and collection of a cess on water.

The Environment Protection Act (EPA), 1986 came into force (May 1986) for protection and improvement of environment and the prevention of hazards to human beings, other living creatures, plant and property. The Hazardous Wastes (Management and Handling) Rules, 1989 was introduced (July 1989) to perform inventorisation of hazardous wastes, grant and renewal of authorisation to prevent/reduce the generation of hazardous wastes. The Public Liability Insurance Act, 1991 came into existence (January 1991) to provide immediate relief to the persons affected by an accident occurring while handling any hazardous substances.

#### **2.4.2 Role of Chhattisgarh Environment Conservation Board**

Chhattisgarh Environment Conservation Board (CECB) was constituted (July 2001) under Section 4 of the Water (Prevention and Control of Pollution) Act, 1974. CECB is required to carry out the functions as specified in Section 17 of the Water and Air Acts, to implement provisions of Water (Prevention and Control of Pollution) Cess Act, 1977, Environment (Protection) Act, 1986, Hazardous Wastes (Management and Handling) Rules, 1989, Public Liability Insurance Act, 1991 and the rules made thereunder. The objectives of CECB, *inter alia* include,



preparation of comprehensive programme for the prevention and control of pollution, advise the State Government on matters concerning prevention and control of pollution, collect and disseminate information relating to pollution and prevention, inspect sewage or trade effluents, grant of consent and renewal of industries.

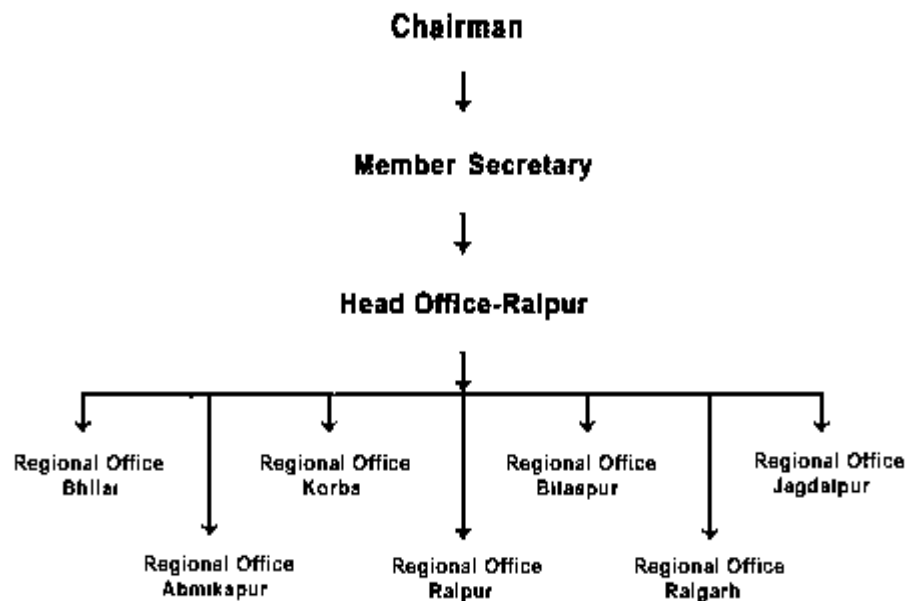
### Role of Regional Offices

There are seven regional offices of the CECB. Of these, five regional offices have laboratories for analysis of collected samples. Functions of the ROs are:

- granting and renewal of environmental consent to establish and operate the small industries;
- collection and examining the water samples under National Water quality Monitoring Programme;
- collection and analysis of ambient air samples under National Ambient Air Monitoring programme;
- issue of notices to the industries in cases of non adherence to the environmental norms; and
- regular monitoring and physical inspection of the industries and furnishing the reports to the Head Office.

### 2.4.3 Organisational Structure of CECB

The Additional Chief Secretary (ACS), Housing and Environment Department, Government of Chhattisgarh (GoCG) is the administrative head at State level and also the Chairman of the CECB. He is assisted by the Member Secretary. The CECB performs its duties through head office at Raipur and seven regional offices (ROs). The organisational chart is given below:



#### 2.4.4 Audit Objectives

Audit objectives were to assess whether:

- institutional mechanism and adequate planning existed for implementation of the environmental laws;
- implementation of various pollution control laws were effective;
- adequate data regarding status of pollution was available; and
- monitoring and control over pollution was effective and sufficient.

#### 2.4.5 Audit Criteria

Audit criteria has been derived from the following sources:

- The Water (Prevention and Control of Pollution) Act, 1974.
- The Water (Prevention and Control of Pollution) Cess Act, 1977.
- The Air (Prevention and Control of Pollution) Act, 1981.
- Environment (Protection) Act, 1986.
- Hazardous Wastes (Management and Handling) Rules, 1989.
- Public Liability Insurance Act, 1991.
- Instructions issued by the Ministry of Environment and Forest, Central and State Pollution Control Board.

#### 2.4.6 Audit Scope and Sampling Methodology

The performance audit covering the period from 2010-15 was conducted between April and July 2015 to assess the enforcement and compliance of Environmental Acts in Chhattisgarh mainly the Water Act, Air Act, Water Cess Act, Environment (Protection) Act, Hazardous Wastes Rules and the Public Liability Insurance Act. However, the compliance to Forest and Wildlife Conservation Act, Bio-medical Waste and Solid Waste Management Rules were not examined in audit.

The CECB along with four<sup>1</sup> regional offices (ROs) of the CECB was covered in Audit. To assess the extent of compliance to environmental laws in these ROs by the industries, a total of 355 out of 4327 small industries (**Appendix-2.4.1**) were selected by applying stratified sampling method by categorisation of industries into Red, Orange and Green category<sup>2</sup>. Ten *per cent* of red category and five *per cent* each for orange and green categories were selected under each stratum using Simple Random Sampling without Replacement (SRSWOR) method. Type of small scale industries selected by audit comprises of Iron & Steel (84), Food Processing (69), Mining and stone crushers (69), Paints and Chemicals (15), Fly

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<sup>1</sup> Raipur, Durg, Korba and Raigarh.

<sup>2</sup> Classification of industries done by CPCB as Red – represent highly polluting industries, Orange- moderately polluting industries and Green-marginally polluting industries.

ash bricks (31), Aluminium (six), Coal (one) and others (80). Further, 29 large and medium industries (10 *per cent*) comprising Steel and power (17), cement (3), Coal and mining (4) and others (5) out of total 287 industries were also selected for scrutiny using SRSWOR method.

### Scope Limitations

We requested (May-July 2015) the ACS, Housing and Environment Department, GoCG for holding an entry conference. Entry conference was, however, not been held. Information related to survey conducted by the CECB or any other body regarding status of pollution, perspective plan and annual action plan to prevent pollution in the State were not furnished to audit. Scrutiny of records of selected large and medium industries could not be done due to non submission of files to audit. The CECB did not cooperate in audit and did not provide access to their files and information. However, audit could access file in the four test checked ROs. The observations relating to the CECB were made based on data available from administrative reports, minutes of Board meetings as well as data available in public domain. The exit conference was held on 30 November 2015 with the Secretary, Housing and Environment Department. The comments of the Government have been suitably incorporated in the Report. However, documents in support of reply were not furnished to audit. In absence of this the replies of the Government could not be verified.

### Status of pollution in Chhattisgarh

As per Environment Status Report-2004 (latest Report available) prepared by IIT, Bombay, in Chhattisgarh surface water was mostly of good quality, but pollution had been increasing in major towns due to increasing urbanisation. Rivers such as Shivnath, Indravati and Hasdeo were found to be polluted at different stretches due to industrial, domestic and agricultural pollution. Surface and ground water resources were disturbed due to major industrial centres at Bhilai, Korba, Bilaspur and Raigarh. The construction of hydro power plant in korba had altered sizable portions of land. The urban air had been rapidly getting polluted due to rapid industrialisation while carbon monoxide and hydrocarbon emissions were the major contributors for air pollution.

As per World Health Organisation (WHO) Report (January 2015) Raipur was among the world's most polluted cities due to high content of dust and smoke in air which in turn causes serious health problems. Further, IIT, Delhi had carried out an environmental assessment of industrial clusters in which Korba was placed among the "critically polluted area" in the country.

The Central Pollution Control Board issued (June 2012) list of industries categorised under red (highly polluting), orange (moderately polluting) and green (marginally polluting) under Section 18 (1) of Water Act 1974. The CECB adopted the prescribed list mentioned. The status of industries under the jurisdiction of four test checked ROs covering 13 districts were scrutinised and are indicated in following Table:

**Table 2.4.1: Pollution status of Industries in test checked ROs**

Category of Industry	Raipur		Durg		Raigarh		Korba	
	Large and medium industry (per cent)	Small industry (per cent)	Large and medium industry (per cent)	Small industry (per cent)	Large and medium industry (per cent)	Small industry (per cent)	Large and medium industry (per cent)	Small industry (per cent)
<b>Red</b>	119 <b>(100)</b>	1831 <b>(66)</b>	87 <b>(95)</b>	492 <b>(43)</b>	27 <b>(100)</b>	384 <b>(88)</b>	49 <b>(100)</b>	64 <b>(33)</b>
<b>Orange</b>	Nil	407 <b>(20)</b>	01 <b>(one)</b>	330 <b>(29)</b>	0 <b>(Nil)</b>	11 <b>(two)</b>	0 <b>(Nil)</b>	154 <b>(62)</b>
<b>Green</b>	Nil	283 <b>(14)</b>	04 <b>(four)</b>	313 <b>(28)</b>	0 <b>(Nil)</b>	48 <b>(10)</b>	0 <b>(Nil)</b>	10 <b>(5)</b>
<b>Total</b>	<b>119</b> <b>(100)</b>	<b>2521</b> <b>(100)</b>	<b>92</b> <b>(100)</b>	<b>1135</b> <b>(100)</b>	<b>27</b> <b>(100)</b>	<b>443</b> <b>(100)</b>	<b>49</b> <b>(100)</b>	<b>228</b> <b>(100)</b>

(Source: Data provided by department and compiled by audit)

From the above, it could be seen that red category industries under large and medium industries in these districts were very high in comparison to orange and green industries. The percentage of red category large and medium industries ranged between 95 to 100 per cent, where as percentage of red category of small industries ranged between 33 to 88 per cent in this region. Against this, the percentage of Orange and green category was only zero to four per cent in case of large and medium industries.

During scrutiny of records, the following irregularities were noticed with reference to various environmental Acts/Rules as discussed in the subsequent paragraphs.

### **Audit Findings**

#### **2.4.7 Planning**

##### **2.4.7.1 Non adherence to Environment Policy**

Government of Chhattisgarh formulated (2001) the Environment Policy of the State with the objective of ensuring environmental conservation. The policy further provides responsibility of various departments towards environment protection i.e. conservation of wetlands, encouraging use of recycled waste water (Water Resources Department), encouraging use of bio-fertiliser and bio-pesticides (Agriculture Department), preparing zoning atlas, establishment of recycling, reduction and reuse targets for waste generated by industries (Commerce and Industries Department), ensuring that mining sites are rehabilitated according to environmental standards (Mining Department), encouraging afforestation of wastelands, other public lands and private lands (Forest Department) and steps undertaken to integrate the policies of these Departments.

It was noticed that although the CECB developed environment policy and decided to integrate policies of other Departments for ensuring environmental conservation but no concrete steps was taken to integrate the policies of other Department with the Environment policy even after 15 years of formation of the State. Moreover, the CECB had prepared a status of Environment Report only in

2004. No further report on the status of environment has been prepared. Thus, the basic objective of environmental policy to ensure environmental conservation and protection by engagement of various departments could not be met.

During exit conference Secretary stated (November 2015) that they had taken all necessary steps to co-ordinate with different departments regarding implementation of various environmental rules and issued instructions to these departments.

Reply was not acceptable as CECB had only issued instructions to these departments instead of taking steps to integrate the policies of the other departments with the environment policy of the State.

#### 2.4.7.2 Non formulation of comprehensive programme

According to Sections 17(a), (b), (c) of the Water Act and Air Act, the Board should formulate a comprehensive programme for prevention, control and abatement of pollution of streams, wells and air in the State, collect and disseminate information and advise the State Government to execute these through a suitable mechanism. Audit found that the CECB did not formulate any comprehensive programme during 2011-15. Thus, the mandate of Water Act and Air Act was not implemented.

During exit conference Secretary stated (November 2015) that every year, CECB prepares a comprehensive package for the monitoring of water and quality in the industries, natural water sources of the State, which is being implemented by its Regional Offices.

Reply was not acceptable as comprehensive programme which includes advising the State Government to execute prevention, control and abatement of pollution of streams, wells, air and collection and dissemination of information was not done.

We recommend that steps should be taken for formulation of comprehensive programme and integrating the policies of other departments with the environment policy of the State.

**CECB did not formulate any comprehensive programme for prevention, control and abatement of water and air pollution in the State**

### 2.4.8 Financial Management

#### 2.4.8.1 Financial position of the CECB

Financial resources of the CECB comprised of water cess and fees received from the industries for issuing the consent for establishing and operating the industries. The financial position of the CECB is as below:

**Table-2.4.2 Details of Receipts and Expenditure of CECB**

Year	Fund received from			Total Fund received	Expenditure	Saving (per cent)
	Central Government	State Government	Water Cess, Consent & Renewal Fees			
2010-11	3.04	0.00	18.41	21.46	6.77	14.69 (68)
2011-12	5.36	0.00	11.06	16.42	7.68	8.74(53)
2012-13	10.37	0.00	16.78	27.15	7.26	19.89(73)
2013-14	2.66	0.50	22.36	25.02	8.76	16.26(65)
2014-15	1.89	0.00	24.08	25.97	21.83	4.14(16)
<b>TOTAL</b>	<b>23.32</b>	<b>0.50</b>	<b>92.69</b>	<b>116.02</b>	<b>52.30</b>	<b>63.72</b>

(Source: Data provided by department and compiled by Audit)

From the above table it is evident that only 27 to 47 *per cent* of available funds could be spent by the CECB during 2010-14. However, expenditure was increased to 84 *per cent* in 2014-15 due to capital expenditure on construction of office building. Further, ₹ 40.55 crore (78 *per cent*) out of ₹ 52.30 crore was spent under administrative and recurring head such as salary, rent, TA and electricity.

#### **2.4.8.2 Non finalisation of Annual Accounts**

As per Section 40 of the Water Act, CECB had to maintain proper accounts and other records and prepare an annual statement of accounts as prescribed by the State Government. Further, the Bye laws of the CECB provides for preparation of Receipts and Payments, Income and Expenditure Account and the Balance Sheet annually. The accounts were to be audited by an auditor appointed by the Government on the advice of the Comptroller and Auditor General of India (C&AG).

It was observed that the CECB had not maintained the accounts in the prescribed format and only the statement of receipts and expenditure were prepared. CECB did not approach C&AG for appointment of an auditor until July 2014 and the same has not been appointed as of October 2015. The annual accounts of the CECB has not been finalised since April 2007. In its absence the revenue receipt and the expenditure incurred by the CECB could not be verified and commented upon in audit.

During exit conference Secretary stated (November 2015) that internal audit by CA appointed by the Board had been completed for the period 2001-07. Auditing for the period 2007-15 was under progress.

Fact remains that the accounts for the period 2007-15 had not been finalised by the CECB.

We recommend that Annual accounts should be prepared in the prescribed format in a timely manner.

#### **2.4.9 Water (Prevention and Control of Pollution) Act, 1974**

The Water Act, 1974 provides for prevention and control of water pollution and maintaining or restoring of wholesomeness of water. It also confers and assigns CECB the powers and functions relating to preparation of comprehensive plan, conservation of water bodies, to inspect sewage or trade effluent, water monitoring under NWMP and to advise the state government for abatement of water pollution. The irregularities noticed in compliance to the Water Act are discussed in the succeeding paragraphs.

##### **2.4.9.1 Inordinate delay in closure of the industry despite violation of environmental norms**

Section 33 A of the Water Act, 1974 empowers CECB to give any directions in the exercise of its powers and performance of its functions under these Acts and the person, officer or authority shall be bound to comply with such directions. CECB has powers to direct for closure, prohibition or regulation of any industry,

operation and the stoppage or regulation of supply of electricity, water or any other service.

Audit observed that M/s Korba Thermal Power Station, CSEB<sup>3</sup> (East), Korba (industry) having capacity of 440 MW had started production from 1966-67. The consent under Water Act and Air Act was granted by the Madhya Pradesh Pollution Control Board (MPCB) in 1977 and 1987 respectively. The renewal of consent was given by the MPCB (August 1999) which was valid up to December 1999. Thereafter the consent was not issued to the industry by the CECB for want of compliance to environmental laws. However, the industry continued its operations without obtaining consent in violation of the environmental laws (October 2015).

Audit further noticed that during the period 2007 to 2015, the CECB had issued several notices to the industry regarding control of stack emissions, improvement of ambient air quality, 100 *per cent* fly ash utilisation, control of air and water pollution from ash dyke and to take remedial action for complying with the environmental laws. Although, the industry failed to ensure the compliance to the environmental obligations since January 2000, the CECB issued direction for closure of the unit only in July 2015 after expiry of 15 years under section 33 A and 31A of the relevant Acts.

During exit conference Secretary stated (November 2015) that from time to time, court cases were filed against the industry for violation of provisions of Water/Air Act and EP Act. These cases were still under consideration before Hon'ble Court.

CECB had not provided the details and reasons for filing the court cases against the industry. Thus, timely action taken by the CECB against the industry could not be ascertained by audit.

#### **2.4.9.2 Inadequate monitoring and no corrective action by the CECB despite adverse test report**

As per Section 17 (f) of the Water Act, 1974, a State Board or any officer empowered by it should inspect sewage or trade effluents, works and plants for the treatment of sewage and trade effluents and review plans, specifications or other data relating to plants set up for the treatment of water, works for the purification thereof and the system for the disposal of sewage or trade effluents.

Scrutiny of records revealed that zero to 53 *per cent* of sewage or trade effluent of industries were inspected by the CECB officials as mentioned below:

**Table 2.4.3: Position of effluent test conducted from January 2012 to December 2014.**

Name of the Regional Office	No of industries	No of test of sewage or trade effluent conducted ( <i>per cent</i> )		
		2012	2013	2014
Raipur	2640	47 (2)	26 (1)	38 (1)
Durg	1227	87 (7)	77 (7)	29 (2)
Korba	277	No test report	105 (53)	129 (43)
Raigarh	470	02 (1)	No test report	No test report

(Source: Data provided by department and compiled by Audit)

No corrective action was taken by CECB despite adverse test reports of trade effluents of the industries

<sup>3</sup> Chhattisgarh State Electricity Board.

From the above it is evident that test of only one to two *per cent* of trade effluent in Raipur and two to seven *per cent* in Durg were conducted. During the years 2013 and 2014, 53 *per cent* and 43 *per cent* respectively of trade effluent in Korba district were tested whereas during 2012, less than one *per cent* of trade effluents were tested in Raigarh district. Further, no test of trade effluent was conducted during 2012 in Korba and during 2013 and 2014 in Raigarh district.

As per Section 21 (1) of the Water Act, 1974, State Board should have power to take for the purpose of analysis, samples of water from any stream or well or samples of any sewage or trade effluent which is passing from any plant or vessel or from or over any place into any such stream or well. Further, three parameters used to assess quality waste water are Biochemical Oxygen Demand (BOD)<sup>4</sup>, Chemical Oxygen Demand (COD)<sup>5</sup> and Suspended Solid (SS)<sup>6</sup>.

It was observed that negative test report of trade effluent ranged from 31 to 63 *per cent* in Durg and 10 to 59 *per cent* in Korba. In Raigarh, no substantive test of effluent was done as in **Appendix- 2.4.2**. Although test reports of trade effluent were negative, corrective measures were not taken by the CECB during 2012-14.

During exit conference Secretary stated (November 2015) that necessary instructions have been issued to ROs.

Fact remained that test of trade effluents was inadequate and despite adverse test reports no corrective action was taken by the CECB.

**2.4.9.3 Shortfall in sample testing under National Water Quality Monitoring Programme (NWMP)**

Monitoring Indian Aquatic Resources System (MINARS) under NWMP required the CPCB with the State Boards to monitor the water quality of aquatic resources in the country. The CPCB sanctioned (December 2011) 12 new stations in addition to the 27 existing stations in Chhattisgarh for monitoring surface/ground water in order to strengthen monitoring network of NWMP. The frequency of the sampling for each identified station was fixed i.e. testing of water in some stations should be done on a monthly basis by the CECB whereas in some stations on half yearly basis by the CECB. The test reports of the samples tested under MINARS were found within the prescribed limit fixed by the CPCB. It was noticed that there was short fall in achieving target of sample to be tested as mentioned below.

**Table 2.4.4: Year wise targets and sample tested under NWMP are given below**

Year	No of stations	Target of sample to be tested	Sample actually tested	Shortfall ( <i>per cent</i> )
2012	39	388	226	162 (42)
2013	39	388	279	109 (28)
2014	39	388	300	88 (23)

(Source: Data provided by department and compiled by Audit)

<sup>4</sup> BOD test measures oxygen requirement for aerobic oxidation of decomposable organic matter and certain inorganic materials in water, polluted waters and wastewater.

<sup>5</sup> COD test determines the oxygen requirement equivalent of organic matter that is susceptible to oxidation with the help of a chemical oxidant.

<sup>6</sup> Suspended Solids refer to small solids particles which remain in suspension in water as a colloid or due to the motion of the water quality.

**Shortfall in achieving target of sample testing under NWMP**



Thus, the shortfall against the targets of sampling ranged from 23 to 42 *per cent*. This was mainly due to non availability of adequate equipment and analysts in the laboratories.

Government stated (November 2015) that short fall in achieving the monitoring target was mainly due to non collection of sample in dry season and engagement of staff in other duties by local administration.

Fact remained that CECB failed to achieve the target of sample testing under NWMP.

#### 2.4.9.4 Inadequate meeting of the CECB

As per the Section 8 of the Water Act, 1974, the CECB should meet at least once in every three months and shall observe such rules of procedure in regard to the transaction of business at its meetings. It was however, observed that against the target of 52, only 33 meetings were conducted during 2001-2015. This was an indication of lack of responsiveness of CECB towards ensuring compliance to various environmental laws.

Government stated (November 2015) that necessary action will be taken in this regard.

#### Consent Management

Section 21 of the Air Act and 25 of the Water Act provides that no person shall, without the previous consent of the State Board, establish or operate any industrial plant in an air and water pollution control area. It is not permissible to establish any industry, operation or process or any treatment and disposal system, which is likely to discharge sewage or trade effluent into stream, well or on land and to pollute the air by emission. The clause further provides that the consent will be valid only for a specified period. Thus, every industry was required to obtain periodical renewal of consent from the CECB to continue its operation and process. During the period 2010-15, the CECB had issued consent to 4082 industries. Irregularities noticed are discussed below.

#### 2.4.9.5 Establishment of industries without obtaining consent from CECB

In 355 test out of 4322 test checked small industries, we noticed that 50 industries had started their production before obtaining required consent from CECB as mentioned below.

**Table 2.4.5: Industries which started production before obtaining consent from CECB**

Name of Regional office	Total number of test checked small industries	No of industries established before obtaining consent	No of industries, which started production before obtaining consent from CECB		
			six months to five years	five to ten years	more than 10 years
<b>Raipur</b>	217	17	11	6	0
<b>Durg</b>	81	24	15	5	4
<b>Korba</b>	16	3	2	1	0
<b>Raigarh</b>	41	6	3	1	2
<b>Total</b>	<b>355</b>	<b>50</b>	<b>31</b>	<b>13</b>	<b>6</b>

(Source: Data provided by department and compiled by Audit)

From the above table it is evident that 31 industries started production six months to five years before obtaining consent from CECB whereas 13 industries had started production five to ten years before obtaining consent. Remaining six industries had started their production 10 years before obtaining consent of CECB. This indicates failure on the part of industries and the CECB to ensure compliance of environmental laws. The reason for non obtaining of consent was mainly due to inadequate monitoring by the CECB over issue of consent resulting from 63 *per cent* vacancies in respect of the post of Senior Scientific Officer, Chief Chemist, Scientist, Junior Scientist, and chemists and 18 *per cent* and 25 *per cent* vacancies in the posts of lab assistant/attendant and other staff respectively.

During exit conference Secretary stated (November 2015) that necessary action would be taken in this matter.

Fact remains that the industries were operating without obtaining consent of the CECB.

#### 2.4.9.6 Operation of industries without renewal of consent from CECB

The responsibility for issuing consent/renewal of consent to the small industries under the Water and Air Act rests with the concerned RO. Scrutiny of records revealed that out of 355 test checked small industries, 197 small industries have not renewed consent for one month to 174 months as detailed below:

**Table 2.4.6: Industries without renewal of consent from CECB**

Name of Regional office	No of Test checked small industries	No of test checked industries who renewed consent in time	No of test checked industries not renewed the consent		
			up to 50 months	51 to 100 months	more than 100 months
Raipur	217	91	110	15	1
Durg	82	34	31	13	2
Korba	16	13	3	0	0
Raigarh	40	20	5	11	5
<b>Total</b>	<b>355</b>	<b>158</b>	<b>149</b>	<b>39</b>	<b>8</b>

(Source: Data provided by department and compiled by Audit)

From the above table it is evident that only 158 test checked industries had renewed their consents in proper time. However, 149 industries did not renew consent even after lapse of one to 50 months and 39 industries did not renew even after lapse of 51 to 100 months. Eight industries have not taken up renewal though more than 100 months have lapsed since expiry of earlier consent. This indicated that the industries had been running without consent. As per Section 25 (6) of the Water Act, a register regarding issue of consent is to be maintained by the CECB. However, CECB failed to monitor the validity of the consent and did not take any action against the industries whose consent had expired. One of the reasons may be the shortage of man power in the CECB as mentioned in paragraph 2.4.16.1. Thus, compliance to pollution control measures could not be ensured by CECB.

During exit conference Secretary accepted the fact and stated (November 2015) that consent granted to the unit is renewed after reviewing the compliance of the conditions. However, efforts were being made to renew the consent within prescribed time limit.

Fact remained that the industries were operating without the renewal of consent due to inadequate monitoring by the CECB.

We recommend that steps should be taken to ensure that the industries operate only with the consent of the Chhattisgarh Environment Conservation Board after fulfilling mandatory obligations under the Acts.

#### **2.4.9.7 Issue of consent to industries in restricted area**

As per order (March 2007) of the Commerce and Industry Department, GoCG, establishment of new sponge iron plants and coal based power plants or expansion of existing sponge iron plants/power plants was banned in the Silatara, Urla and Borjhara of Raipur district. Further, in the 23<sup>rd</sup> Board meeting (26 November 2010) of the CECB, it was decided that consent for establishment/operation and expansion of these industries in Raipur, Raigarh and Korba districts would not be issued by the CECB for a period of two years. This period was extended up to March 2015 in the subsequent Board's meetings.

**Consent was issued to 42 industries in the restricted area of Raipur, Korba and Raigarh districts**

During scrutiny of records and consent issue register maintained by the CECB and proceedings of the Board meetings it was noticed that consent was issued (2007-13) by the CECB to the industries in Raipur, Korba and Raigarh districts despite imposition of ban by the GoCG and the decision of the CECB. During the period from April 2007 to April 2013, CECB issued consent to 42 such industries (**Appendix- 2.4.3**) out of which 16 were coal based power plants while 26 industries were sponge iron plant units. Thus, issue of consent for establishment or expansion of sponge iron plants and coal based power plants in the restricted area was irregular as this not only violated the orders of the GoCG but also was contradictory to the decision taken by the CECB itself.

During exit conference Secretary stated (November 2015) that the ban was imposed for Siltara, Urla and Borjhara of Raipur district. He further stated that the proposal (23<sup>rd</sup> meeting) to impose ban on establishment of these plants in Raipur, Raigarh and Korba district was not accepted by the Government.

Reply was not correct as the State Government had not rejected the above proposal of the CECB but instructed (August 2013) the CECB to take a decision for cancellation of its decision taken on 23<sup>rd</sup> meeting. However, CECB had not taken any decision on this matter as of October 2015.

#### **2.4.10 Water (Prevention and Control of Pollution) Cess Act, 1977**

Water Cess Act, 1977 envisaged levy and collection of cess on water consumed by persons carrying industries and by local authorities. The irregularities noticed in the assessment and collection of water cess is discussed in the succeeding paragraphs.

#### **2.4.10.1 Non assessment of water cess due from industries**

According to Section 3(1), (2) & (3) of the Water cess Act and Rule 4 and 5 of the Water cess Rules, 1978, the Board is to levy and collect water cess from the users on the basis of returns submitted by them. It was observed that out of 293 large and medium industries, 132 industries had not submitted the required monthly returns since commencement of their production while 155 industries had not submitted their returns since one to 14 years. In case of small industries, information related to the submission of return was not maintained in the test checked ROs.

The head office and four test checked ROs did not maintain any consolidated records and was not in a position to assess the amount of cess to be paid by the consumers. Further, penal clauses could not be invoked under Section 14 (2) of the Act for delayed payment of water cess. In absence of the consolidated records, water cess could not be assessed and the CECB only collected ₹ 11.23 crore as water cess during 2011-15.

During exit conference Secretary stated (November 2015) that due to shortage of manpower, all the industries could not be covered for assessment of water cess. However, ROs had been directed to cover the remaining industries for assessment of water cess.

#### **2.4.10.2 Non reimbursement of Water Cess by GoI**

As per Section 8 of the Water Cess Act, 1977, up to 80 *per cent* of the cess amount collected by the CECB will be reimbursed by the GoI for meeting their expenditure requirement. During 2001-14, the CECB collected water cess of ₹ 48.44 crore and deposited to GoI account. As per norms ₹ 38.75 crore was to be reimbursed by the GoI. However, it was observed that only ₹ 27.00 crore was reimbursed. Although CECB had requested (September 2014) the GoI to release the balance amount, no further action had been taken by GoI (October 2015).

Government stated (November 2015) that CECB had collected the water cess timely and deposited it with GoI. However, CECB's share of water cess had not been reimbursed by GoI from 2012-13 to 2014-15.

#### **2.4.10.3 Non-collection of water cess from small scale industries**

According to Section 3(1), (2) & (3) of the Water cess Act and Rule 4 & 5 of the Water cess Rules, 1978, the Board is to levy and collect water cess from the users on the basis of returns submitted by them. The order issued for consent to operate industries *inter alia* includes that the industry should operate and maintain their pollution control facilities properly and regularly to ensure the treated effluent quality within the standards prescribed by the Board. Treated effluent should be reused as far as possible and zero discharged condition should be maintained.

During scrutiny of files of the selected 355 small scale industries it was observed that information regarding installation and functioning of the effluent treatment plant and other pollution control equipment were not available. Moreover, CECB had neither assessed nor levied the water cess from these industries.

Further, the order issued for consent to operate industries *inter alia* mandated the industries to adopt Rain Water Harvesting system for the conservation of ground water within three months. It was observed that out of 355 test checked industries, information regarding installation of Rain Water Harvesting system was available only for 15 industries.

During exit conference Secretary stated (November 2015) that ROs have been directed to cover the remaining industries for assessment of water cess.

Fact remained that water cess had not been levied and collected from all the industries.

#### 2.4.11 Air (Prevention and Control of Pollution) Act, 1981

The Air Act, 1981 provides for prevention, control and abatement of air pollution. This act also confers and assigns Boards the powers and functions relating to abatement of air pollution. The irregularities noticed in compliance to the Air Act are discussed in the succeeding paragraphs.

##### 2.4.11.1 Inadequate monitoring of air quality under National Ambient Air Monitoring Programme (NAMP)

Central Pollution Control Board had been executing a nation-wide programme of ambient air quality monitoring known as National Air Quality Monitoring Programme (NAMP). The network consist of 332 operating stations covering 121 cities/towns in 25 States and four Union Territories of the country. Under the programme, the CECB was required to monitor ambient air twice in a week at ten stations (three each in Durg, Raipur, Korba districts and one in Bilaspur) i.e. 104 measurement in a year. It was required to take 624 Ambient Air Quality samples each of Sulphur Dioxide (SO<sub>2</sub>) and Oxides of Nitrogen (NO<sub>x</sub>), 312 samples for suspended particulate matter (SPM) and 104 samples for repairable suspended particulate matter (RSPM) from each Station in a year. Year wise target, sample tested and shortage under NAMP are as below:

**Table 2.4.7: Year wise target, sample tested and shortage under NAMP**

Year	SO <sub>2</sub> and NO <sub>x</sub> Target <sup>7</sup>	Sample tested (SO <sub>2</sub> )	Sample tested (NO <sub>x</sub> )	SPM (PM-10) Target <sup>8</sup>	Sample tested	RSPM (PM-2.5) Target <sup>9</sup>	Sample tested
2012	6240	2897	2897	3120	1476	1040	1047
2013	6240	2549	2549	3120	1345	1040	1082
2014	6240	3240	3240	3120	1623	1040	1203
<b>TOTAL</b>	<b>18720</b>	<b>8686</b>	<b>8686</b>	<b>9360</b>	<b>4444</b>	<b>3120</b>	<b>3332</b>

(Source: Administrative Reports of the CECB)

From the above it is evident that in case of SO<sub>2</sub> and NO<sub>x</sub> against a target of 18720 samples each, only 8686 (46 *per cent*) were tested. For PM<sub>10</sub> the percentage of sample tested was only 47. This indicated that target set by CPCB for testing of the ambient air under NAMP was not achieved by the CECB.

<sup>7</sup> SO<sub>2</sub> and NO<sub>x</sub> samples = 10 stations x 52 weeks x 2 per week x 6 per day = 6240.

<sup>8</sup> SPM samples= 10 stations x 52 weeks x 2 per week x 3 per day = 3120.

<sup>9</sup> RSPM samples = 10 stations x 52 weeks x 2 per week x 1 per day = 1040.

During exit conference Secretary stated (November 2015) that shortage of manpower was the main reason for shortfall in achieving the target.

Thus, shortage of manpower adversely affected the achievement of the target for testing the ambient air under NAMP.

#### **2.4.11.2 Non forfeiture of bank guarantee despite non-compliance of environmental norms**

Rule 17 (g) of the Air Act, 1981 provides for fixing of different standards for emission for different industrial plants. This included the quantity and composition of emission of air pollutants into the atmosphere from such industrial plants. CECB issued instructions (April 2010) to all the industries to upgrade/improve their pollution control equipments so that the particulate matters emission should be below 50 µg/cum. The norms were to be complied by sponge iron and small power plants (up to 50 MW) by 1<sup>st</sup> November 2010 and by mega power plants within one and half years. The time extension to any industries may be granted on the submission of detailed action plan along with Bank guarantee (BG) of 10 *per cent* of the cost of compliance. The maximum time extension may be granted for additional one and half years and thereafter the BG may be forfeited.

Scrutiny revealed that in compliance to the above orders, directions were issued to various industries for installation or upgradation of their pollution control equipment and to improve their monitoring mechanism through advance technology for abatement of air pollution. Further, orders were also issued for deposit of 10 *per cent* amount of the compliance cost as BG in lieu of the works required to be done. It was noticed that 17 industries had deposited ₹ 30.82 crore as BG with the CECB (**Appendix-2.4.4**) for ensuring compliance to various environmental obligations. Of this, BG submitted by six industries amounting to ₹ 1.56 crore had lapsed by March 2015 and were not renewed by the CECB. Despite these industries not fulfilling the environmental obligations for about five years, CECB did not forfeit their BGs.

During exit conference Secretary stated (November 2015) that time extension was granted to some of the industries which were very old and require additional time for modification of existing air pollution equipment.

Reply is not acceptable because the industries had not completed the upgradation work even after lapse of five years and were not fulfilling the environmental obligations.

#### **2.4.11.3 Discrepancy in the air quality monitoring readings**

CECB awarded (April 2014) the work of conducting a third party monitoring for assessment of Comprehensive Environmental Pollution Index (CEPI) to IIT, Kharagpur which conducted the study during May to December 2014 and submitted the final report in March 2015. As per report, the main sources of industrial air pollution were coal based power plants, smelter plant of BALCO and coal mines of South Eastern Coalfields Limited (SECL). The report submitted

by IIT indicated discrepancy in the Air Quality Monitoring readings between IIT and SECL online monitoring station figures, as below:

**Table 2.4.8: Status of air quality monitoring readings taken by IIT, Kharagpur**

Parameter checked/ Month	As per IIT, Kharagpur			As per SECL, Dipka		
	PM <sub>10</sub>	NO <sub>2</sub>	SO <sub>2</sub>	PM <sub>10</sub>	NO <sub>2</sub>	SO <sub>2</sub>
<b>June 2014</b>	185.03	63.48	35.59	100.17	23.33	8.47
<b>September 2014</b>	-	23.63	62.77	108.22	21.23	10.45
<b>November 2014</b>	153.38	82.21	57.51	73.99	2.93	15.63

(Source: Data provided by CECB and compiled by audit)

In November 2014, the PM<sub>10</sub> and NO<sub>2</sub> readings taken by the IIT were 153.38 and 82.21 while the SECL online monitoring stations' reading was 73.99 and 2.93 respectively. It is also evident that the readings recorded by the online monitoring stations set up and monitored by SECL itself shows readings much closer to the standard values of the CECB while the readings taken by IIT, Kharagpur revealed that SECL had been causing severe environmental pollution. This indicated that the readings reported by SECL were not accurate. Further, the ROs did not take any control measure to prevent these.

During exit conference Secretary stated (November 2015) that difference in the value obtained in the monitoring result depends on location of sampling, period of sampling and metrological conditions.

The reply was not convincing as the location and period of sampling by both these entities were same.

## 2.4.12 Environment (Protection) Act, 1986

The EPA, 1986 is a general legislation for environment protection which *inter alia* enables co-ordination of activities of the various regulatory agencies. The Act was enacted (November 1986) to fill the uncovered gaps in areas of major environmental hazards. The irregularities noticed in compliance of the Act are discussed in the succeeding paragraphs.

### 2.4.12.1 Tardy implementation of Korba Action Plan (KAP) by the industries

Central Pollution Control Board (CPCB) in association with IIT, Delhi carried out (January 2010) an environmental assessment of 88 industrial clusters across the country based on Comprehensive Environmental Pollution Index (CEPI)<sup>10</sup> with the aim of identifying polluted industrial clusters and prioritizing planning needs to improve the quality of environment in these clusters. Increasing value of CEPI indicates adverse effect on environment and also an indication of large percentage of population experiencing health hazards. The CEPI scores of 70 and above was considered as "critically polluted" while scores from 60 to 70 was considered as 'severely polluted' areas. In Chhattisgarh, Korba industrial cluster with a score of 83 was ranked 5<sup>th</sup> among the selected 88 clusters throughout India.

<sup>10</sup> CEPI is a rational number to characterize the environmental quality such as presence of toxins, pollutant concentration, impact on people and ecology, affected population and pollution control facilities in a location.

**Compliance to Korba Action Plan by identified industries was not ensured by CECB**

The CPCB along with CECB had prepared (April 2010) a remedial action plan called “Korba Action Plan”. Seven major industries (six power plant and one Aluminium smelter plant) situated in the critical area were identified and actionable points were suggested in order to mitigate the pollution. The compliance status of the industries (as of January 2015) is detailed below.

- In order to bring down the air pollution level to CECB’s current emission norms of 50 µg/cum augmentation of retrofitting of the electrostatic precipitator (ESPs) was required to be done by four out of six power plants but none had complied the upgradation work and their status were indicated in table below:

**Table 2.4.9: Status of upgradation works of the industries**

S. No	Name of Industry	Target Date	Compliance Status as of January 2015
1	Korba Super Thermal Power Station, M/s NTPC Ltd, Jamnipali, Korba (2600 MW)	October 2009; revised to February 2016	Work in progress.
2	Hasdeo Thermal Power Station, M/s CSEB, Korba (west), Korba (840 MW)	October 2009; revised to December 2015	Work in progress.
3	Korba Thermal Power Station, M/s CSEB, Korba (East), Korba (440 MW)	December 2011	Work in progress.
4	M/s Balco captive power plant, Jamnipali (270 MW)	October 2009; revised to August 2015	Work in progress.

(Source: Information provided by department and compiled by Audit)

From the above it could be seen that none of the power plants had completed upgradation of their ESPs essential for reducing the quantum of particulate matter causing air pollution. The mean concentration of PM<sub>10</sub> in the three sites of the city ranged between 87.27 to 174.98 µg/cum against the permissible limit of 100 µg/cum.

- All the power plants were required to ensure 100 *per cent* utilisation of the fly ash generated by the plants. However, their fly ash utilisation ranged only between 8.87 and 55.74 *per cent* in 2014.
- As per Ministry of Environment and Forests Notification (September 1997 and June 1998), all the power plants were required to use the coal having ash content of less than 34 *per cent* but all of these power plants had been using the coal having ash content of 40-45 *per cent*.
- Municipal Corporation, Korba was to install sewerage treatment plant (STP) for treating Korba town waste water by June 2009, but no such facilities were developed till January 2015. Entire untreated waste was being discharged into Hasdeo river without treatment. Further, no facility was developed for composting, separation, processing of the municipal solid waste generated.

Thus in more than five years, compliance to KAP by the identified industries could not be ensured. Meanwhile, CEPI of Korba had fallen from 83 (2009) to 74.50 (January 2015) which indicated an improvement but the city was still under “critically polluted area” as its CEPI was still above the score of 70.

On being pointed out it was stated (November 2015) that CECB periodically reviews the progress of implementation of KAP and sends the status report to CPCB. It was further stated that the work of upgradation of ESPs was under



progress. During exit conference Secretary directed CECB to take appropriate action against the defaulting entities.

We recommend that the KAP should be adhered by the CECB.

#### **2.4.12.2 Non-utilization of fly ash generated by the industries**

Ministry of Environment and Forest, GoI, New Delhi issued notification (November 2009) for restricting the excavation of top soil for manufacture of bricks and promoting the utilization of fly ash in the manufacture of building materials and in construction activity within radius of one km from coal or lignite based thermal power plants. According to this notification, all coal and/or lignite thermal power stations and/or expansion units in operation before the date of this notification were to achieve 100 *per cent* utilisation of fly ash.

Scrutiny of records revealed that 17 coal and lignite thermal power stations (**Appendix- 2.4.5**) did not achieve this even after more than five years of their establishment. Fly ash utilization by M/s Hasdeo Thermal Power station, Korba was nil although it generated 5,67,697 MT fly ash during 2014. It was also noticed that utilization of fly ash by six industries ranged between one and 30 *per cent*, where as five industries utilised 31 to 70 *per cent* of fly ash. The percentage of utilization of fly ash by remaining five industries ranged from 71 to 93 *per cent*.

It was further observed that 11 thermal power industries of Korba district generated fly ash up to 1,35,25,899 MT. Of this, 39,05,257 MT (29 *per cent*) was utilized while remaining 96,20,842 MT were not utilized. Information collected from the Executive Engineer, PWD, (B/R) Division, revealed that 77,651.85 cum of construction of embankment costing ₹ 98.16 lakh were executed during 2010-15 without utilizing fly ash although there was a provision even in PWD schedule of rates to use fly ash. Thus, the instructions issued for utilisation of fly ash by CECB was not adhered to by the industries and remained a mere formality.

During exit conference Secretary stated (November 2015) that CECB had filed court case against seven units whose utilisation of fly ash was not satisfactory. It was further stated that necessary step had been taken for the utilisation of fly ash in back filling of abundant mines.

Fact remained that CECB failed to ensure compliance to the notification issued by the GoI for utilisation of fly ash.

#### **2.4.12.3 Non-observance of norms of stack (Chimney) height**

As per Schedule 1 of the Environment (Protection Act) Rules, 1986 stack (chimney) to be installed by the industries should have minimum height of 30 metres.

Scrutiny of records of 355 small scale industries revealed that 186 small scale industries did not require chimney in view of their nature of operation. In remaining 240 small scale industries it was observed that, only 110 industries had followed the norms of minimum 30 metre of height, whereas 41 industries had stack having height less than 30 metre and 18 industries did not have any chimney

although their nature of operation required chimney. Despite violations, CECB did not take any action for issuing notice to the units.

Secretary intimated that the matter was taken seriously by the Government and further stated (November 2015) that necessary instructions were being issued to all regional offices to ensure installation/raising of chimney height as per prescribed norms.

Fact remained that industries were operating in violation of the norms of the stack height.

#### **2.4.12.4 Non development of green belt area by the industries**

As per Rule 4.1 of the National Forest Policy, 1988, which was prepared on the basis of Environment Protection Rules, 1988, the national goal was to achieve a minimum of one third of the total land area of the country under the forest area. Accordingly, Ministry of Environment and Forest, GoI issued direction that industries shall develop green belt all along the plant covering one third of total project area. It further provides that industries should plant 2500 saplings per hectare with broad leaf local species in consultation with local forest department.

Scrutiny of records of selected 355 small scale industries in four ROs revealed that required green belt area was not developed by 210 industries whereas in case of 145 industries the status of plantation work was not verifiable due to non availability of information with the CECB.

During exit conference Secretary stated (November 2015) that CECB had asked the industries to submit third party evaluation reports regarding green belt area developed by them.

Fact remained that desired green area was not developed by the industries.

#### **2.4.12.5 Non-compliance to environmental norms and non recovery of penalty**

Rule 48 of the Chhattisgarh Minor Mineral Act 1996 requires each and every lease holder of the mines to submit within 60 days of the signing of the lease deed, the environment management plan covering detailed plan of land management, land reform, plantation, control of air and water pollution. The lease holder should submit quarterly reports on compliance to the environmental issues as per the environment management plan. In the event of non compliance with environmental norms penalty of ₹ 5,000 was to be imposed and in case of continuous non-compliance additional penalty of ₹ 500 per day was to be imposed.

Scrutiny of records of the 19 lease cases of minor minerals at District Mining Officer, Kabirdham revealed that lease holders did not submit the environment management plan and the quarterly progress reports. Inspection reports of the mining authorities also confirmed that environment laws were not complied by the lessee i.e. environment consent was not obtained, environment acts were not complied and plantation was not done. However, no penal action was initiated by the department which resulted in non recovery of penalty amounting to

₹ 1.52 crore (**Appendix- 2.4.6**). Further, the extent of harm caused to the environment by the lease holder was not assessed. However, no reply was furnished by CECB.

### **2.4.13 Hazardous Waste (Management and Handling) Rules, 1989**

As per Rule 3 (1) of the Hazardous Waste (Management and Handling) Rules 1989 “Hazardous waste” means any waste which by reason of any physical, chemical, reactive, toxic, flammable, explosive or corrosive characteristics causes danger or is likely to cause danger to health or environment, whether alone or when in contact with other wastes or substances, and shall include waste specified in the schedules in the Rules.

Rule 5(1) provides that every person who is engaged in generation, processing, treatment, package, storage, transportation, use, collection, destruction, conversion, offering for sale, transfer or the like of hazardous waste shall require to obtain an authorization from the CECB. Rule 5 (7) of the Act further provides that an application for the renewal of an authorization shall be made before its expiry and the CECB may renew the authorization after examining each case on merit. Violations of these provisions noticed during scrutiny of records are discussed below.

#### **2.4.13.1 Authorisation issues**

##### **(i) Non obtaining of authorization**

Test check in audit revealed that 15 (six out of 81 in Durg, two out of 16 in Korba, seven out of 41 in Raigarh) out of 138 small industries did not obtain required authorization under Hazardous Waste (Management and Handling) Rules, 1989, though these industries were required to obtain the authorization under the Rules as they were involved in generation/processing of hazardous waste. (**Appendix- 2.4.7**)

During exit conference Secretary stated (November 2015) that all the concerned ROs had been instructed to ascertain the authorisation under the Rules.

##### **(ii) Operation of industries without renewal of authorization**

Information collected from the three ROs revealed that 26 industries (15 out of 56 in Durg; five out of 16 in Korba; six out of 12 in Raigarh) out of 84 industries did not renew their authorization for one year to seven years and were functioning without obtaining authorization under Hazardous Waste (Management and Handling) Rules 1989. (**Appendix- 2.4.8**)

During exit conference Secretary stated (November 2015) that CECB shall take necessary action in this regard.

#### **2.4.13.2 Inadequate monitoring over disposal of hazardous waste.**

Rule 5 (2) of Hazardous Waste Rules provides that the hazardous waste shall be collected, treated, recycled, re-processed, stored or disposed off only in such manner as may be authorised by the CECB. Further, Rule 5(6) provides that every person authorized under these Rules should maintain the record of hazardous

**Inadequate monitoring over disposal of hazardous wastes generated by the industries**

wastes handled by him and prepare and submit to the CECB, an annual return containing the details specified in prescribed format.

As per records of CECB, there were 188 hazardous waste generating industries. The total hazardous waste generation of Chhattisgarh State was about 54,935.253 MT per Annum (MTA) as detailed below:

**Table 2.4.10: Position of hazardous waste generation in the State**

Name of the Regional Office	No of industries producing Hazardous waste	Total (MTA)	Disposable (MTA)	Recyclable (MTA)	Incinerable (MTA)
<b>Raipur</b>	77	13238.83	1693.99	7020.80	4523.976
<b>Bilaspur</b>	15	1314.61	99.00	1125.973	89.935
<b>Durg-Bhilai</b>	50	20158.68	435.00	19722.745	0.635
<b>Jagdalpur</b>	13	97.46	1.05	93.77	3.13
<b>Korba</b>	21	13364.129	6275.00	7061.99	27.139
<b>Raigarh</b>	6	6582.42	Nil	6479.42	103.00
<b>Ambikapur</b>	6	178.40	Nil	154.40	24.00
<b>Total</b>	<b>188</b>	<b>54935.253</b>	<b>8504.34</b>	<b>41659.098</b>	<b>4771.815</b>

(Source: Information collected from CECB and compiled by audit)

It was observed that although the CECB have data regarding quantity of Hazardous waste and quantities disposable, recyclable and incinerable of one year 2014, the industries did not submit any annual return of the actual quantity of wastes disposable, recyclable and incinerable during last five years. However, the CECB did not initiate any action either to get these returns from the defaulting industries or to cancel or suspend their authorisation till compliance were done. This indicated failure of CECB to monitor and enforce the provisions of the Act.

During exit conference Secretary stated (November 2015) that lack of manpower was the main hindrance for less monitoring and further stated that filling of vacant post is under progress.

Fact remained that CECB failed to monitor the disposal of the hazardous waste.

We recommend that timely action should be taken against the industries for non compliance to environmental laws and rules.

**2.4.14 The Public Liability Insurance Act, 1991**

The Public Liability Insurance Act, 1991 was enacted to provide immediate relief to the persons affected by an accident occurring while handling any hazardous substances.

**2.4.14.1 Non-payment of insurance premium by the industries.**

Section (3) 1 of the Act provides that where death or injury to any person or damage to any property has resulted from an accident, the owner shall be liable to give such relief as is specified for such death, injury or damage. The Act further provides that an industry is required to subscribe an insurance policy under the PLI Act, 1991.

In RO, Korba, we noticed that out of 20 industries identified for payment of insurance premium under PLI Act, 1991, 14 industries had paid their insurance premium amounting to ₹ 15.39 crore per annum whereas six industries had not paid such premium as of October 2015. However, correspondences were being done for payment of insurance premium of these six industries. The information regarding number of industries liable to subscribe to insurance policy and premium amount to be paid under PLI Act from remaining three ROs had not been furnished to audit (October 2015).

During exit conference Secretary stated (November 2015) that CECB had issued notice to all concerned units to comply with the provisions of the Act.

#### 2.4.15 Environmental Laboratories

##### 2.4.15.1 Non-functioning of equipment in the laboratory of ROs

It was observed that out of total expenditure of ₹ 52.30 crore only ₹ 0.27 crore (less than one *per cent*) was spent for procurement of lab equipments and chemicals. This indicated that no efforts have been taken to modernise the laboratories with latest equipments. Further scrutiny of records of laboratories under ROs revealed that 40 *per cent* of available equipments were not in working condition as detailed below:

**Table 2.4.11: Details of equipment in the laboratories in the test checked regional offices**

Name of Regional Office	Number of available equipments	Number of not functioning equipment	Percentage of non functional equipment
RO, Durg	38	18	47
RO, Raipur	52	25	48
RO, Raigarh	18	03	17
RO, Korba	17	04	24
<b>TOTAL</b>	<b>125</b>	<b>50</b>	<b>40</b>

(Source: Information collected from CECB and compiled by audit)

From the above table, it is evident that equipment ranging from 17 to 47 *per cent* were non functional. Non-functioning of equipment was fraught with the risk of adversely affecting the testing of samples collected from trade effluent and other water bodies.

During exit conference Secretary stated (November 2015) that CECB has undertaken upgradation project of the laboratories with the help of IIT, Mumbai.

##### 2.4.15.2 Non establishment of Research and Development Cell and State water laboratory

According to Section 17 (d), (h), (i) of the Water Act, the Board is to research and investigate on water pollution to evolve economical and viable methods of treatment and utilisation of sewage and trade effluents in agriculture and their disposal on land. As per Section 52 of the Water Act, 1974, the State Government may establish a State Water Laboratory or specify any laboratory or institute as a State Water Laboratory to carry out the entrusted functions.

It was observed that the CECB had not established any State level laboratory nor any Research and Development (R&D) cell to carry out its research and investigation functions. As a result, no new technology was being adopted in the State for effective treatment, utilisation of trade effluent in agriculture land and their disposal. Thus, the provisions of the Act could not be implemented.

During exit conference Secretary stated (November 2015) that R&D Cell would be functional only after completion of upgradation of all existing laboratories.

## 2.4.16 Manpower Management

### 2.4.16.1 Shortage of manpower

Sanctioned post, working strength and vacancies of different posts of CECB are mentioned below.

**Table 2.4.12: Sanctioned post, Working strength and vacancies of different post of CECB**

Name of the post	Sanctioned strength	Working strength	Vacancies	Percentage of vacancies
Chief Engineer, Additional Chief Engineer	1	1	0	0
Superintending Engineer, Executive Engineer	9	9	0	0
Assistant Engineer, Sub Engineer	9	1	8	89
Sr Scientific Officer, Chief Chemist, scientist, jr scientist, chemist	32	12	20	63
Lab Assistant, Sampler, lab attendant	28	23	5	18
Other staff	65	49	16	25

(Source: Information collected from CECB and compiled by audit)

From the above table it could be seen that 89 *per cent* of vacancies existed in case of Assistant Engineer, Sub Engineer where as 63 *per cent* vacancies existed in respect of the post of Senior Scientific Officer, Chief Chemist, Scientist, Junior Scientist, and chemists. Further, 18 *per cent* and 25 *per cent* post of lab assistant/attendant and other staff respectively were vacant. The shortage in particular had adversely affected functioning of the CECB. This also affected the collection and testing of samples and conduct of inspection as brought out in paragraphs 2.4.9.2 and 2.4.11.1.

During exit conference Secretary stated (November 2015) that new set up for CECB had been approved (July 2014) by GOCG and appointment would be done.

We recommend that steps should be taken to strengthen the laboratories and to fill up the vacant post for effective discharge of mandated duties of CECB.

## 2.4.17 Conclusion and Recommendations

Chhattisgarh Environment Conservation Board (CECB) is the principal agency for enforcement and compliance to environmental laws/rules and also to prepare plans for prevention and control of pollution in the State. The records of selected large and medium industries were not produced to audit by the Head Office of CECB. As a result compliance to environmental laws and rules by large and medium industries could not be verified. However, we noticed the following:

**Huge vacancies in the post of scientific officer, scientists and lab assistants**

- CECB did not take step to integrate the policies of other departments with the environment policy of the State. It also did not formulate any comprehensive programme for prevention, control and abatement of pollution of streams, wells, air and advise the State Government to execute these through a suitable mechanism. As a result the basic objective of environment policy to ensure environmental conservation and protection by engagement of various departments could not be met.

Steps should be taken for formulation of comprehensive programme and integrating the policies of other departments with the environment policy of the State.

- Only 27 to 47 *per cent* of available funds were spent by CECB. CECB had not prepared the Annual Accounts i.e. Receipts and Payments, Income and Expenditure and the Balance Sheet since April 2007 and only the statement of receipts and expenditure were prepared. As a result revenue receipt and the expenditure incurred by the CECB could not be verified.

Annual accounts should be prepared in the prescribed format in a timely manner.

- Central Pollution Control Board along with CECB had prepared (April 2010) 'Korba Action Plan' identifying seven major industries and suggested actionable points such as upgradation of electrostatic precipitator, 100 *per cent* utilisation of fly ash generated and using coal of better quality to mitigate the pollution. However, compliance to the points was not done by the identified industries. As a result Korba remained a "critically polluted area" as since last five years.

Korba Action Plan should be adhered to by the CECB.

- Out of 355 test checked small industries, 50 industries were established without obtaining environmental consent from CECB and 197 industries had not renewed their consent even after lapse of one to 174 months. Also, irregular consent was issued to 42 coal based power plants and sponge iron plants in restricted area. Further, 118 industries did not install the chimneys as per norms and required green belt area was not developed by 210 industries. As a result industries had continued their operation without adhering to the environmental laws and rules.

Steps should be taken to ensure that the industries operate only with the consent of the Chhattisgarh Environment Conservation Board after fulfilling mandatory obligations under the Acts.

- During 2012-2014, only one to two *per cent* of trade effluent in Raipur, two to seven *per cent* in Durg, zero to 53 *per cent* in Korba district was tested whereas no substantive tests were conducted in Raigarh by the CECB. Further, negative test report of trade effluent ranged from 35 to 45 *per cent* in Raipur, 31 to 63 *per cent* in Durg and 10 to 59 *per cent* in Korba were noticed but no corrective action was taken by CECB. Thus, the compliance to environmental rules was not ensured by the industries.

Timely action should be taken against the industries for non-compliance with environmental laws and rules.

- In the post of Assistant Engineer, Sub Engineer 89 *per cent* vacancies existed where as 63 *per cent* vacancies existed in respect of the post of Senior Scientific Officer, Chief Chemist, Scientist, Junior Scientist, and chemists. Further, 18 *per cent* and 25 *per cent* post of lab assistant/attendant and other staff respectively were vacant. Also, 17 to 47 *per cent* laboratory equipments were not in working condition. This adversely affected the collection and testing of samples and conduct of inspection.

Steps should be taken to strengthen the laboratories and to fill up the vacant post for effective discharge of mandated duties of CECB.



## FOOD, CIVIL SUPPLIES AND CONSUMER PROTECTION DEPARTMENT

### 2.5 CHIEF MINISTER FOOD ASSISTANCE PROGRAMME AND CHHATTISGARH FOOD SECURITY ACT

#### 2.5.1 Introduction

Chief Minister Food Assistance Programme also known as *Mukhyamantri Khadyan Sahayata Yojana* (MKSy) commenced in Chhattisgarh State from April 2007 with a view to provide subsidised food grains to those households (HHs) who were included in the list of Below Poverty Line (BPL) survey for the year 1991 but were subsequently excluded from the BPL survey for urban population (conducted in 1997) and rural population (conducted in 2002). Under the scheme, 22.09 lakh HHs were registered and grouped into four categories. This included BPL families (6.87 lakh), National Old Age and Social Security Pension Scheme beneficiaries (two lakh), SC/ST families not benefitted under Public Distribution System (PDS) and special Backward class (12.77 lakh) and physically handicapped HHs (0.44 lakh).

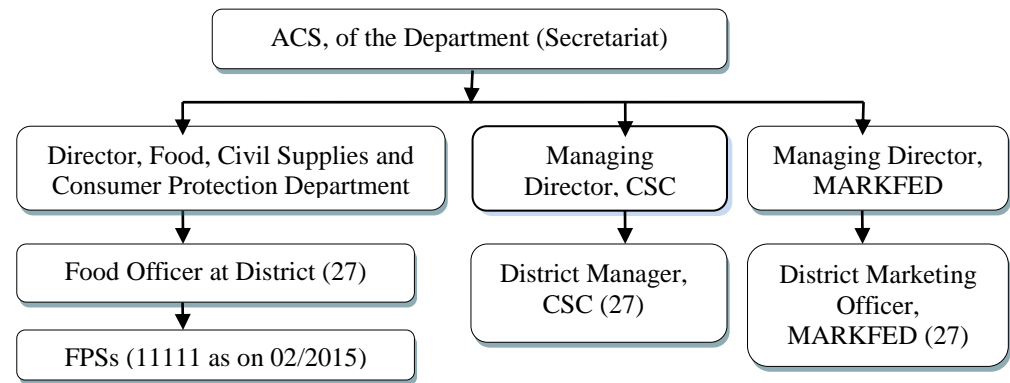
The State Government (GoCG) procured food grains at Above Poverty Line (APL) rate from the Government of India (GoI) through Chhattisgarh State Civil Supplies Corporation (CSC) and distributed it at BPL rates to the registered HHs and the differential amount was borne by the GoCG. Additional quantity of food grains were also procured by CSC for distribution to remaining HHs of MKSY. However, GoCG enacted (September 2013) Chhattisgarh Food Security Act, 2012 (CGFSA) and all HHs registered under MKSY were designated as Priority HHs. Fresh ration cards as per the criteria<sup>1</sup> of CGFSA were issued to 72.42 lakh HHs under four categories i.e. Normal (15 Kg), Priority (35 Kg), Antyodaya (35 Kg) and Physically Handicapped (10 Kg). Procurement of food grains for distribution to registered HHs was done by CSC as per the allotment made by the Department of Food, GoCG and the food grains were distributed to HHs through Fair Price Shops (FPSs). CSC submits subsidy claims to GoCG after distribution of food grains. GoCG notified (January 2013) the rate of food grains as ₹ one per Kg for Antyodaya HHs, ₹ two per Kg for Priority HHs and ₹ 9.50 per Kg for Normal HHs.

#### 2.5.2 Organisational Set-up

The administrative department for MKSY and CGFSA is Food, Civil Supplies and Consumer Protection Department (Department) headed by Additional Chief Secretary (ACS) who is assisted by Director at State level and Food Controller/Food Officer (FO) at district level. CSC is the nodal agency for procurement and issue of food grains to FPS for distribution to HHs. The distribution of food grains is monitored by the Department through FPSs. In the State, Chhattisgarh State Cooperative Marketing Federation (MARKFED) is authorised to procure paddy from farmers and after milling of paddy rice is

<sup>1</sup> Excluding Government employees or Income Tax payee, more than four hectare irrigated land or more than eight hectare un-irrigated land in non-Scheduled area and Pucca house in urban area having more than 1000 sq ft. plinth area.

supplied to the issue centres of CSC. Organisational set up of the Department at different level is given below:



### 2.5.3 Audit objectives

The objectives of the audit were to assess whether:

- proper survey/verification was undertaken for identification of HHs;
- financial management of the scheme was efficient;
- distribution of food grains to all HHs were ensured on time;
- management of storage and distribution of food grains was effective; and
- monitoring and grievance redressal mechanism was efficient and effective.

### 2.5.4 Audit criteria

The audit criteria were sourced from the following:

- BPL Survey list 1991, 1997 and 2002
- MKSY Guidelines, 2007
- Chhattisgarh Food Security Act 2012
- Chhattisgarh Financial and Treasury Code
- Instructions/Guidelines issued by the State Government time to time.

### 2.5.5 Audit Scope and Methodology

The Audit for the period from 2010-11 to 2014-15 was conducted during April to August 2015 through test check of records in the offices of the ACS of the Department, the Director of the Department (Director, Food), Managing Director, CSC, FOs, District Manager (DM), CSC. In addition, 14 Blocks and 56 FPSs in seven selected districts were also test checked. The districts, Blocks and FPSs were selected by Probability Proportional to Size without Replacement (PPSWOR) and Simple Random Sampling without Replacement Method (SRSWOR) (**Appendix-2.5.1**). Joint physical verification of 56 FPSs was also conducted during audit.

An Entry conference was held (May 2015) with the ACS, Food, Civil Supplies and Consumer Protection Department in which the audit objectives, scope and methodology was discussed. An Exit conference was held in November 2015

with the Secretary to discuss the issues raised by audit. Government furnished reply (December 2015) which has been suitably incorporated in the Report.

## Audit Findings

### 2.5.6 Financial Management

The funds allocated and expenditure incurred during the year 2010-11 to 2014-15 under MKSY/CGFSA are detailed in **Table 2.5.1** below:

**Table-2.5.1: Details of allocation and expenditure of funds**

(₹ in crore)

Year	Allocation of funds under MKSY/CGFSA		
	Allocation	Expenditure	Savings (per cent)
2010-11	1001.50	884.40	117.10 (12)
2011-12	946.70	945.94	0.76 (0)
2012-13	722.00	717.12	4.88 (01)
2013-14*	2000.61	1744.06	256.55 (13)
2014-15	2498.35	1800.00	698.35 (28)
<b>Total</b>	<b>7169.16</b>	<b>6091.52</b>	<b>1077.64</b>

(Source:-Information furnished by the Department) \* Funds released after September 2013

A review of the funds allocated for MKSY during the period 2010-11 to 2014-15 revealed that the funds could not be spent for the intended purpose especially in the years 2010-11, 2013-14 and 2014-15 wherein the amount of savings were ₹ 117.10 crore, ₹ 256.55 crore and ₹ 698.35 crore respectively.

Government stated (December 2015) that savings occurred mainly due to non release of fund by the GoCG against the claim submitted by the Department. The reply was not convincing as savings occurred due to lack of expenditure against available funds.

#### 2.5.6.1 Irregular payment of subsidy from MKSY fund

As per MKSY provisions and notifications issued in February and December 2007, the differential cost of the food grains distributed to the registered HHs of MKSY and BPL HHs identified by GoI under normal PDS would only be paid to CSC by the GoCG from the MKSY fund. After implementation (September 2013) of CGFSA, fresh ration cards were issued as per new criteria and food grains were distributed to all Priority HHs at the lower rates of ₹ two per Kg till December 2013 and ₹ one per Kg from January 2014 instead of ₹ three per Kg fixed by the GoI. Even though CGFSA mentioned that the subsidy would be borne by the GoCG, it did not specify any head of account. In its absence, GoCG paid subsidy of ₹ 269.01 crore from the head of MKSY which was irregular (**Appendix-2.5.2**).

Government accepted (December 2015) the audit observation and stated that necessary amendment in the MKSY guidelines would be made to make payments for CGFSA. However, fact remains that payment of subsidy of ₹ 269.01 crore from the MKSY head was not regularized (November 2015).

#### 2.5.6.2 Non-Reimbursement of cost of paddy to MARKFED

MARKFED and CSC were appointed as nodal agencies for procurement of paddy and rice, distribution of rice to PDS and other welfare schemes of the GoCG. After custom milling of paddy procured by MARKFED, a portion of the raw rice was to be deposited by custom millers at issue centres of CSC for

distribution to HHs. Payment against the claims raised by MARKFED for the cost of paddy procured was to be made by CSC out of the subsidy claims received from GOI as well as GoCG.

Scrutiny of claims submitted by CSC revealed that during the years 2010-11 to 2014-15, GoI reimbursed ₹ 11293.60 crore (94 per cent) against the total claims of ₹ 11954.60 crore and the GoCG reimbursed ₹ 5981.66 crore (71 per cent) against the total claims of ₹ 8420.17 crore to CSC. However, CSC even after receipt of 85 per cent claim from GoI and GoCG, did not reimburse the cost of paddy amounting to ₹ 3271.71 crore<sup>2</sup> to MARKFED as detailed in **Table 2.5.2** below:

**Table-2.5.2: Details of Claims submitted by CGSCSC to GoI /GoCG and reimbursement during 2010-11 to 2014-15**

Year	From GoI		From GoCG		Total		Short receipt of claim
	Claim Amount	Received amount	Claim Amount	Received amount	Claim Amount	Received amount	
2010-11	1695.92	1604.12	818.63	820.00	2514.55	2424.12	90.43
2011-12	1796.58	1751.20	621.85	945.20	2418.43	2696.4	-277.97
2012-13	2555.36	2521.36	546.62	716.46	3101.98	3237.82	-135.84
2013-14	2538.53	2529.27	3017.38	1700.00	5555.91	4229.27	1326.64
2014-15	3368.16	2887.64	3415.69	1800.00	6783.85	4687.64	2096.21
<b>Total</b>	<b>11954.60</b>	<b>11293.60</b>	<b>8420.17</b>	<b>5981.66</b>	<b>20374.80</b>	<b>17275.30</b>	<b>3099.50</b>

(Source: information furnished by CSC)

Government stated (December 2015) that after receipt of claims from GoI and GoCG, amount of claim was paid to MARKFED but due to non-receipt of full claim from GoI, balance amount could not be reimbursed to MARKFED.

The reply was not acceptable because even after receipt of ₹ 8358.34 crore against full claim of ₹ 8034.96 crore by CSC up to the year 2012-13, cost of paddy amounting to ₹ 1124.31 crore was not reimbursed to MARKFED.

## 2.5.7 Planning

### 2.5.7.1 Identification of HHs and issue of ration cards

Section 15 of CGFSA provides that all HHs of MKSY, landless agricultural labourers, small/ marginal farmers and registered unorganised labour/ construction worker shall be designated as Priority HHs. Further, all HHs headed by a widow or a single woman, a terminally ill person, disabled person, senior citizens with no assured means of subsistence or social support, released bonded labour and any other prescribed group of HHs shall be designated as HHs of Particularly Vulnerable Social Groups. No ration cards were to be issued to any HHs in which the head or any other member is an Income Tax payee, land holding is more than four hectares (irrigated)/ eight hectares (non-irrigated) and who owns a *pucca* house with carpet area of more than 1000 square feet in urban areas.

<sup>2</sup> Up to 2010-11: ₹ 430.60 crore, 2011-12: ₹ 82.25 crore, 2012-13: ₹ 611.46 crore, 2013-14: ₹ 612.73 crore and 2014-15: ₹ 1534.67 crore.

Details of various types of ration cards issued during 2010-15 are given in the **Table 2.5.3** below:

**Table-2.5.3: Details of ration cards issued during 2010-11 to 2014-15**

(Figures in lakh)

Year	Number of ration cards under			Total ration cards
	MKSY	Identified by GoI (BPL)	APL	
2010-11	20.20	18.75	17.91	56.86
2011-12	19.37	18.75	17.91	56.02
2012-13	19.36	18.75	17.91	56.01
2013-14 (CGFSA)	49.01	18.75	4.66	72.42
2014-15 (CGFSA)	41.86	18.75	2.95	63.56

(Source:-Information furnished by the Department and CSC)

It could be seen from the **Table 2.5.3** that the number of ration cards increased from 56.01 lakh to 72.42 lakh during 2012-13 to 2013-14 mainly due to issue of new ration cards under CGFSA.

As per instructions (March 2013) of the Department, before issuing new ration cards, applications/information received at Gram Panchayat (GP) for identification of HHs was required to be verified by the GP level Verification Committee which would be further verified at Block level.

Scrutiny of records in 14 selected Blocks revealed that GP wise verification reports for identification of HHs and details of ration cards issued under CGFSA were not available at Block level. Further scrutiny revealed that against the 2011 census data of 56.23 lakh HHs in Chhattisgarh (including three lakh Government employees and 28000 HHs having more than 10 Hectare of land) 72.42 lakh ration cards were issued under CGFSA. This increase was due to unrestricted issue of ration cards without any verification, resulting in issue of 8.86 lakh bogus ration cards as mentioned in paragraph 2.5.7.2. Further, joint physical verification of FPSs revealed that double ration cards to same HHs and in the name of dead persons were issued. On these ration cards food grains were distributed. Thus the identification process of HHs under CGFSA was not foolproof.

Government stated (December 2015) that the process of issue of new ration cards and renewal of old ration cards was in progress due to which 72.42 lakh ration cards appeared as functional in the month of September 2013. To get additional food grains, some family members declared themselves as separate HHs which were cancelled after verification.

The reply was not correct as records furnished to audit by the Director, Food in February 2015 clearly mentioned that 72.42 lakh ration cards have been issued to HHs under CGFSA out of which 8.86 lakh ration cards were subsequently cancelled upon verification.

### **2.5.7.2 Distribution of food grains on Bogus ration cards**

The Department issued instructions (March 2013) for identification of HHs under CGFSA including the ineligibility criteria. After receipt of applications/information the same was to be verified by the Verification Committee before issuing of new ration cards. The Department issued 72.42 lakh ration cards under CGFSA in September 2013.

However, the process of verification resulted in cancellation of 1.56 lakh ration cards till March 2014. After issuing (June 2014) instruction by the

Department for verification of bogus ration cards, 7.30 lakh ration cards were cancelled as of May 2015 on account of duplication, death and absence from the place. Hence, possibility of issue of food grains on these ration cards before their cancellation cannot be ruled out.

Government stated (December 2015) that as the time limit for receipt and verification of applications and issue of ration cards were very short, there were discrepancies in preparation and distribution of ration cards. However, during year 2014-15, 7.71 lakh ration cards were cancelled after verification. Government further stated that in not a single month during the year 2013-14, the entire 72.42 lakh ration card holders had lifted food grains.

Reply of Government is not acceptable as during the currency of the cancelled ration cards, possibility of lifting of food grains cannot be ruled out.

### **2.5.8 Joint physical verification of Fair Price Shops**

As per Para 9 of Chhattisgarh PDS Control Order 2004, FPS should be allotted to Larger *Adimjati* Multipurpose Cooperative Societies (LAMPS), Primary Agriculture Credit Society (PACS), Forest Security Society, Women Self Help Groups, Gram Panchayat and other Consumer Cooperative Societies on the orders of Collector or Sub Divisional Officers (after getting approval from Collector). Para 12 provides that the FPS shall remain open at least eight hours in a day and their opening and closing time shall be fixed by the Collector. The FPSs were to be operated six days in a week. Further, maximum three FPSs can be operated by any Society or SHG but separate Salesman should be appointed for each FPS.

Scrutiny of records of the 56 test checked FPS revealed that 32 FPSs regularly opened the shops for more than 20 days while remaining 24 FPSs were opened only twice or thrice a week. This was verified by audit during joint physical verification and confirmed by the Salesman of FPS. Further, in five FPSs (Shardha, Mahkakhurd, Dhanora, Khorpa and Biramtal), two to three shops were operated by the same salesman. Thus, the instructions of GoCG were not complied with. Irregularities noticed are mentioned in succeeding paragraphs.

Government stated (December 2015) that efforts for coordination with Co-operative Department regarding appointment of separate salesman for each FPS was being initiated.

#### **2.5.8.1 Non-issuing of ration cards to eligible HHs**

Scrutiny of records of selected 56 FPSs revealed that in Tarkeshwar, Patiyadand and Vindravan FPS of Surajpur district, though the names of HHs were included under CGFSA and regular allotment was provided to the concerned FPS, ration cards have not been issued by JPs/FOs to 189 HHs (Tarkeshwar-four; Patiyadand-150; Vindravan-35). However, food grains were distributed to them by FPS on the basis of allotment list issued by the Department.

Government stated (December 2015) that after being pointed out in audit ration cards have been issued to these HHs. However, the fact remains that there is no system in place to identify such cases *suo motto*.

### 2.5.8.2 Non cancellation of ration cards issued in the name of dead person

It was noticed that in four out of 56 FPS, the ration cards of 14 HHs were not cancelled/ revised though the single card holder/ one member of the HHs was dead. On these ration cards food grains were issued in full (**Appendix-2.5.3**). Further, in one case out of these 14 HHs, ration card was issued in the name of a person who had already died before implementation of CGFSA. Thus, proper verification of HHs was not ensured before issuing ration cards.

Government stated (December 2015) that the ration cards of dead persons have been cancelled and action was being initiated against the irregularities noticed during the process. However, the claim was not backed by documentary evidence.

### 2.5.8.3 Non-cancellation of duplicate ration cards

During scrutiny of records and verification of ration cards of FPS, Dhanora (district Kondagaon), it was found that in two cases double ration cards issued to same HHs were not cancelled by the Verification Committee and food grains were still being issued (July 2015) as shown in **Appendix-2.5.3**.

Government stated (December 2015) that after being pointed out in audit duplicate ration cards were cancelled after verification. However the claim was not backed by documentary evidence.

### 2.5.8.4 Quality analysis of food grains stored at FPS was not done

As per instruction issued (July 2013) by the Department, samples of food grains received at FPS are to be taken from time to time and analysed in the CSC/ FCI laboratories for ensuring the quality of food grains.

Scrutiny of records of the selected FPS revealed that no samples of food grains were taken. Further no quality testing was done at FPS level.

Government stated (December 2015) that facility have been provided to beneficiaries for lodging complaints at call centre in respect of quality of food grains received from FPS.

Fact remains that instructions for ensuring quality of food grains were not complied by Department.

### 2.5.8.5 Receipt of food grains at FPS

As per procedure for door step delivery of food grains to FPS, a Truck Challan (TC) generated by the system contains a *Panchnama* certifying the receipt of correct quantity and quality of food grains. The date of receipt of food grains is to be written and attested by the Vigilance Committee (VC).

Scrutiny of *Panchnamas* at FPSs and Issue Centers of CSC revealed that the date of receipt of food grains was not written in any *Panchnama* and signature of members of VC was also not found in 82 out of 274 *Panchnamas*. It was also observed that the records relating to constitution of VC at FPS level were not found in 23 out of 56 selected FPS and regular meetings of VCs were not conducted in other FPSs. In the absence of signature of VC and date of receipt on *Panchnama*, delivery of stipulated quantity of food grains and its timely receipt at FPS could not be ascertained.

Government stated (December 2015) that instructions were issued and its compliance was being ensured. Fact remains that these deficiencies have prevented proper accountancy and distribution of food grains.

#### **2.5.8.6 Sale/Distribution registered not properly maintained**

The Department ensures distribution of food grains to HHs through VC, sale/distribution register and entries in the concerned ration cards.

Scrutiny of distribution/sales register of 56 selected FPSs revealed that food grains were issued to a single person against two to 10 ration cards. In 10 to 23 cases, no signature/thumb impressions were found taken against the issue of food grains. Further, it was observed from test check of ration cards that quantity of food grains distributed was either not entered in the sale register or the entered data was not clear. In the absence of signatures and proper entries, correct quantity of distributed food grains could not be ascertained.

Government stated (December 2015) that action was being initiated against the FPS for non-compliance of GoCG instructions. Fact remains that Government did not initiate any action to work out the pilferage of food grains on account of these malpractices.

Government should evolve a foolproof system for identification of HHs before issue of ration cards. Moreover, periodical verification of ineligible HHs should be done for cancellation/update of ration cards.

### **2.5.9 Storage and distribution of food grains**

#### **2.5.9.1 Delay in construction of Godown-cum-Fair Price Shops**

With a view to ensure proper storage facilities at FPS and timely distribution of food grains, GoCG sanctioned (2011-12 to 2013-14) ₹ 52.27 crore for construction of 385 Godown-cum-FPS in 25 districts and released the amounts to CSC.

Scrutiny of records of CSC revealed that out of total sanctioned amount of ₹ 52.27 crore, ₹ 45.18 crore was released during 2011-15 to DM, CSC and balance amount of ₹ 7.09 crore was lying with CSC. Scrutiny of records of DM, CSC in seven selected districts, revealed that out of total 385 Godown-cum-FPSs, 129 were sanctioned in six selected districts (**Appendix-2.5.4**). In one district no information about the number of Godown-cum-FPSs to be constructed was provided to audit.

Of 129 Godown-cum-FPSs, only 19 were completed and 60 were in progress as of July 2015. Further, 39 Godown-cum-FPSs had not yet started till the date of audit (July 2015) due to non selection of site. However, no information about 11 Godown-cum-FPSs was provided by Kondagaon district.

Government stated (December 2015) that out of 385 Godown-cum-FPSs, 144 have been completed and for the remaining 231, efforts would be made to complete them by March 2016. Fact remains that even after availability of sufficient funds, there was delay in construction of Godown-cum-FPSs.

#### **2.5.9.2 Excess distribution of 23.75 MT food grains**

During verification of 995 ration cards, it was found that in 32 cases against the entitlement of 10 Kg and 35 Kg of food grains per month, excess quantity



of 2.26 MT food grains was issued to the HHs (**Appendix-2.5.5**). Further, in 963 Priority ration cards of three FPSs (Sakargaon- 224, Deurgaon-348 and Shardha- 391), the names of head of HHs were entered twice in the ration cards due to which extra quantity of 21.49 MT food grains (7 Kg per person during April to July 2015) were distributed. This resulted in excess distribution of 23.75 MT food grains and a resultant loss of ₹ 5.42 lakh (at the rate of ₹ 22,801 per MT) to the GoCG.

Government stated (December 2015) that the entries of names of head of HHs made twice in the ration card have been rectified. However the claim was not backed by documentary evidence.

## **2.5.10 Computerisation and online payment system**

### **2.5.10.1 End-to-end Computerisation**

“Computerisation of PDS” was started in 2007 with a view to strengthen PDS and improve transparency in working of FPS. Further, Point of Sale (PoS) machine are to be used for distribution of food grains using Smart Cards in 12 urban areas of 11 districts.

Scrutiny revealed that computerisation of ration card database from State level to issue centers of CSC have been completed. However, the computerisation of FPS activities was completed in only 565 FPS (out of 1317) in 12 out of 77 urban areas and 2143 FPS (out of 9794) in rural areas. The Smart Cards were issued to the beneficiaries of urban areas in only three districts (Raipur, Rajnandgaon and Mahasamund). Further, it was observed that except Raipur, food grains were not being distributed through Smart cards in any of the other urban areas. Although, PoS machines were provided in these areas, manual distribution of food grains was being done. Further, no computerisation was found in any test checked FPS.

Government stated (November 2015) that computerisation of 3483 FPS have been completed and remaining FPS would be computerised till March 2016. Fact remains that the computerization of FPS could not be completed by the Government in almost eight years since launch of the drive in 2007.

### **2.5.10.2 Online payment system for food grains supplied at FPS**

With a view to reduce error in online entries, strengthen the accounting system of CSC and avoid Demand Draft (DD) charges paid by FPS, instructions were issued for online payment of food grains issued to FPS initially (August 2013) in four districts (Raipur, Mahasamund, Durg and Balod) and subsequently extended (September 2014) for the rest districts of the State.

In 14 test checked issue centres and 56 FPSs, it was noticed that except Durg, online payment system of food grains was not implemented in any of the seven test checked districts. As a result, the FPS owners deposited DD in the issue centres for the food grains. Since the manual system was fraught with the risk of being misused, online payment gateway should have been adopted to mitigate the risk.

Government stated (December 2015) that online payment system was implemented in Raipur and Durg districts on trial basis and the expansion was dependent on its successful implementation.

The reply of Government contradicts the CSC instructions of September 2014 which provided for extending the online system to entire districts of the State.

### **2.5.11 Monitoring**

#### **2.5.11.1 Monitoring through Vigilance Committee**

As per Chhattisgarh PDS Control Order 2004 and instruction issued (July 2012) by the Department, Vigilance Committees (VC) were to be constituted for each level i.e. District, Block and FPS level. Meetings of VC at each level shall be held regularly with at least one meeting in every month.

Scrutiny of records in the selected districts revealed that though the order for constitution of VC was issued (July 2012) by the Department, records of the minutes of VC meetings were not maintained at district level and block level. Hence the work done by VCs at district and block levels could not be ascertained. Further it was found that the VCs were not formed in 23 out of 56 test checked FPSs and monthly meetings of VCs were not held in remaining 33 FPSs.

Government stated (December 2015) that weakly review of PDS at district level was being done by the Collector and efforts were being made by the Department for regular constitution and functioning of VCs at FPS. However, no reply was furnished about the monitoring at block level by VCs.

#### **2.5.11.2 Inspection of Fair Price Shops**

As per Chhattisgarh PDS Control Order, regular inspection of FPSs should be done by Food Inspectors (FIs), at least once in two months. Further as per directions of Director, Food, at least 10 *per cent* FPS are to be verified monthly.

Scrutiny of records of 56 test checked FPSs revealed that the inspection registers or other documents in support of inspection done by the FIs were not maintained. Further the stock registers were also not verified by the FIs.

Government stated (December 2015) that instructions have been issued for inspection of 10 *per cent* FPS per month of concerned area by each FI. Fact remains that no inspections were found conducted by FIs in the test checked FPS.

#### **2.5.11.3 Delay in disposal of Grievances**

A State level Call Centre for redressal of grievances was established (January 2008) with a maximum time limit of 15 days for grievance redressal.

Scrutiny of records of Director, Food for the period 2010-15 revealed that out of the 7170 complaints received by the Call Centre, 3504 complaints pertained to the seven selected districts. Out of this, 776 complaints were not disposed off even after a delay of three months to five years as detailed in **Appendix-2.5.6**.

Government stated (December 2015) that timely disposal of grievances could not be done due to shortage of manpower and efforts have been made for its timely disposal. Fact remains that non-disposal of timely grievances had frustrated the creation of Call Centres.

Inspection of FPSs at regular intervals should be ensured and Grievance Redressal Mechanism should be strengthened.

### 2.5.12 Conclusion and Recommendations

Chief Minister Food Assistance Programme also known as *Mukhyamantri Khadyan Sahayata Yojana* (MKSJ) commenced in Chhattisgarh State from April 2007 with a view to provide subsidised food grains to those households (HHs) who were included in the list of Below Poverty Line (BPL) survey for the year 1991 but were subsequently excluded from the BPL survey for urban population (conducted in 1997) and rural population (conducted in 2002).

- During the period 2010-15, Department failed to spend 12 to 28 per cent of the allotted funds and there were substantial savings of ₹ 117.10 crore, ₹ 256.55 crore and ₹ 698.35 crore respectively in the years 2010-11, 2013-14 and 2014-15 indicating that the financial management was inadequate.

Efforts should be made to properly utilize the funds for the schemes related to the Food Security Act.

- Joint physical verification of Fair Price Shops (FPSs) revealed issue of double ration cards to same HHs and in the name of dead persons. On these ration cards, food grains were distributed. Thus the identification process of HHs under CGFSA was not foolproof.

Government should evolve a foolproof system for identification of HHs before issue of ration cards. Moreover, periodical verification of ineligible HHs should be done for cancellation/updation of ration cards.

- As per procedure for door step delivery of food grains to FPS, the date of receipt of food grains is to be written and attested by the Vigilance Committee (VC). The Department however, did not ensure verification of delivery of food grains to FPS by the VC.

Government should ensure verification of food grains delivered to FPS by Vigilance Committee along with proper record maintenance by FPS.

- With a view to ensure proper storage facilities at FPS and timely distribution of food grains, GoCG had sanctioned (2011-14) ₹ 52.27 crore to Civil Supplies Corporation for construction of 385 Godowns-cum-FPS in 25 districts. However, CSC did not construct 231 Godowns-cum-FPS, even though funds were available. Thus, the storage capacity for food grains could not be enhanced.

Efforts should be made to complete the construction of the Godown-cum-FPSs in a time bound manner.

- The Monitoring and Redressal mechanism was inadequate as Vigilance Committee was not constituted in 23 FPS, regular inspections were not conducted and 776 complaints remained pending.

Inspection of FPSs at regular intervals should be ensured and Grievance Redressal Mechanism should be strengthened.

## HEALTH AND FAMILY WELFARE DEPARTMENT

### 2.6 Procurement of medicines and equipment under Health Department

#### 2.6.1 Introduction

Timely supply of drugs of good quality is of critical importance in any health system, which involves procurement as well as logistics management. Medical equipment is an integral part of physical infrastructure of a health set-up and is an important means of providing various diagnostic and therapeutic services to the people.

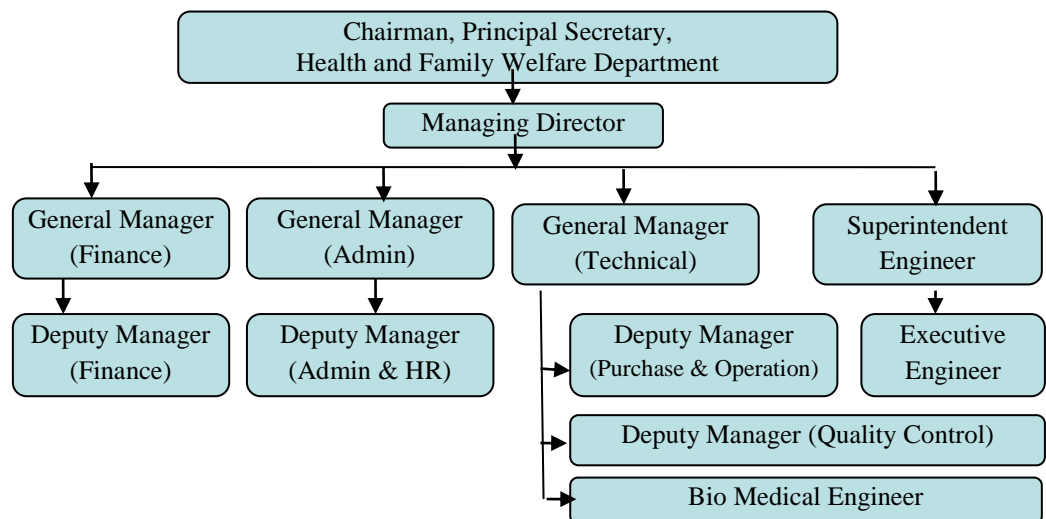
In Chhattisgarh, the procurement of medicines and equipment was being done by the Director Health Services (DHS) for the district hospitals, Community Health Centres and Primary Health Centres (till June 2013). Director Medical Education (DME) procured medicines and high value equipment for the Medical and Nursing colleges/Institution till March 2013. Government of Chhattisgarh (GoCG) established (October 2010) Chhattisgarh Medical Services Corporation Limited (CGMSCL) under the Companies Act, 1956 for centralised procurement of medicines and equipment and entrusted (December 2012) all the construction work of health department to it, which commenced the commercial activities from year 2013-14. The main objectives of the CGMSCL are:

- to procure, test, store and supply all kinds and variety of generic drugs and medicines, suture and surgical items to the various health facilities<sup>1</sup> as per indent received from the Health Department;
- procurement, distribution, installation and maintenance of all types of medical equipment and instruments required in various health facilities;
- design and construction of hospitals and other building for health department.

#### 2.6.2 Organisational set up

Principal Secretary, Health & Family Welfare Department (H&FW), GoCG is in-charge of the administration of the Department. The Commissioner of DHS is the Head of the Department in the State. A separate organizational set up has been prescribed for CGMSCL under the chairmanship of Principal Secretary of the H&FW Department which is depicted in the following organogram:

<sup>1</sup> District Hospitals, Community Health Centres and Primary Health Centres



### 2.6.3 Audit objectives

Audit objectives of the long paragraph were to assess whether (i) the funds allocated were being utilised in an economic and efficient manner (ii) the department had any long term plan or annual plan to consolidate and coordinate the procurement needs of the hospitals/health centres and (iii) procurement and distribution were being effectively monitored and optimum utilisation of equipment and drugs were ensured.

### 2.6.4 Audit Criteria

The following were the sources of audit criteria:

- Guidelines for purchase of medicines and equipment issued by the Health Department
- Chhattisgarh Store Purchase Rules, 2002 and State Financial Rules
- Various orders, notifications, circulars, instructions issued by DHS/State Governments.

### 2.6.5 Scope of audit and methodology

Audit examined the procurement of drugs and equipment for the period from 2013-14 to 2014-15 during April 2015 to July 2015 in the offices of CGMSCL, Medical Colleges Raipur and Jagdalpur and four hospitals (BRAM Hospital Raipur, Maharani Hospital Jagdalpur, Civil Surgeon Kanker and Surguja) selected on the basis of expenditure involved and geographical status. An exit conference was held with the Secretary, Health and Family Welfare Department in October 2015 to discuss the audit issues. The replies furnished by the Secretary during the discussion have been incorporated in the report.

### 2.6.6 Financial management

The GoCG makes budget provision for procurement of drugs and equipment required by the various health institutions under the head of account "4210/2210-Health" object head 25 and 28, detailed head 007 and 003 respectively under different grants. The DHS and DME withdraw funds from treasury in two instalments and provides to CGMSCL for procurement of drugs and equipment. The details of funds provided and expenditure incurred there against by the CGMSCL during 2013-14 to 2014-15 were as under:

**Table-2.6.1: Details of funds received and expenditure incurred**

(₹ in crore)

Units	Year	Drug		Equipment		Total allotment during the year on Drugs and Equipment	Total expenditure during the year on drugs and equipment
		Received	Expenditure	Received	Expenditure		
DHS	2013-14	36.36	15.81	0.60	0	36.96	15.81
	2014-15	76.00	49.33	13.06	11.14	89.06	60.47
DME	2013-14	4.28	5.11	4.81	0	9.09	5.11
	2014-15	9.50	6.88	43.31	10.34	52.81	17.22
<b>Total</b>		<b>126.14</b>	<b>77.13</b>	<b>61.78</b>	<b>21.48</b>	<b>187.92</b>	<b>98.61</b>

(Source: Information provided by CGMSCL and compiled by audit)

Scrutiny revealed that CGMSCL did not fully utilize the budgetary allocations provided by DHS and DME under the head drugs and medical equipment. Against the total allotment of ₹ 187.92 crore (Drugs ₹ 126.14 crore and Equipment ₹ 61.78 crore) during the years 2013-15, total expenditure incurred was ₹ 98.61 crore (52 per cent). Thus 48 per cent of the fund totalling ₹ 89.31 crore was not utilized.

During the Exit conference, Secretary, while agreeing to the audit observation, had instructed (October 2015) CGMSCL to provide the revised status of fund utilisation.

Fact remains that funds were not utilised during the same financial year.

Optimum utilization of funds should be ensured by preparing purchase policy and annual plan.

### 2.6.7 Planning

Annual Roadmap is an important parameter in procurement and timely availability of medicines to the indenters. This is required to be prepared for each year in advance. Appropriate time frame for various stages of procurement and supply needs to be fixed so that the demands are met in an efficient and economical manner. The method of purchase shall be based on factors like value of the contract, urgency of the demand, type of goods/services and availability of different sources of supply etc.

Scrutiny of records revealed that for procurement of drugs and equipment, the CGMSCL had not prepared any annual work plan and requirements were assessed on piece-meal manner based on indents as and when received from health units. No time frame was prescribed for submission of requirements by the DHS/DME to CGMSCL. DHS had been placing separate indents to CGMSCL for various national health programmes like *Mitanin* Kits and Family Planning programme. Lack of planning at department as well as Corporation level led to huge savings of funds and non-fulfilment of requirement of facilities as commented subsequently.

During Exit Conference, Secretary stated (October 2015) that a consultant is being engaged in consultation with WHO to assess requirement of drugs and equipment in a rationalised manner.

### 2.6.8 Purchase policy

All organisations should prepare codified purchase manuals containing detailed purchase procedures, guidelines and also proper delegation of powers, so as to ensure systematic and uniform approach in decision making relating to procurements.

Scrutiny of records revealed that health department did not adopt any purchase policy for procurement of medicines and equipment. The system of procurement was ad-hoc and there was no uniformity in the procedures followed for the various procurements by the CGMSCL. Even after formation of CGMSCL, both the directorates (DHS and DME) have to submit indents/requirements and corporation's role had been limited to procurement and distribution of drugs and to ensure installation of equipment. Further, there was no integrated procurement plan and fixed time schedule prescribed for completion of procurement activities.

Secretary stated (October 2015) during Exit Conference that purchase policy will be drafted covering all the aspects of indenting, purchase, tendering, quality control, delegation of powers and distribution. However, no time frame has been mentioned for its completion.

### 2.6.9 Manpower Management

Even though CGMSCL was formed in October 2010 for centralised procurement of drugs and equipment for health department, due to delay in recruitment of manpower, commercial activities could not be commenced till May 2013. Without approval of the setup by the administrative department, the corporation appointed 122 contractual employees which were irregular. The setup was forwarded (July 2014) to GoCG which was finally sanctioned (August 2015) after formation of five years of CGMSCL. It was noticed that against sanctioned strength of 227 only 145 (64 *per cent*) staff were appointed by the CGMSCL on contractual basis.

The MD, CGMSCL stated (October 2015) that permission from Finance department was awaited; however, efforts were being made to fill the vacant posts.

### 2.6.10 Procurement of drugs

#### 2.6.10.1 Absence of co-ordination in centralised purchase procedure

Scrutiny of records of CGMSCL revealed that DHS had executed (January and June 2013) rate contracts with three firms for supply of medicines for which rates were valid till January and June 2014. CGMSCL however overlooked the rate contracts of DHS and placed (July 2013-December 2013) purchase orders on the same three firms for supply of four drugs at higher rates. Thus, lack of co-ordination between DHS and CGMSCL had resulted in avoidable excess expenditure of ₹ 22.59 lakh (**Appendix-2.6.1**).

During the Exit Conference, Secretary attributed (October 2015) the reasons for differences in rates due to procurement at difference periods, rates in comparison to FOR<sup>2</sup> destinations and quality control aspects.

<sup>2</sup> Freight On Receipt.

Reply corroborates the audit observation that there was lack of co-ordination between DHS and CGMSCL.

#### **2.6.10.2 Delay in finalization of bids**

As per Chhattisgarh Store Purchase Rules 2002, global tenders should be finalized within 45 days from the date of publication of tender.

The CGMSCL floated 18 bids during 2013-15 for procurement of drugs, medicines, kits and equipment. None of the tenders were finalized within the prescribed time limit of 45 days. It was further observed that:

- Due to lack of clarity in specifications mentioned in the tender, frequent amendments were made in the technical specifications of the drugs and equipment even after publication of bids.
- Tenders for procurement of 'equipment' were finalized with delay ranging from 24-214 days and for procurement of 'drugs' the delays ranged from 30-187 days.
- Even after finalization of bids, CGMSCL issued purchase orders with delay ranging from 11-116 days.
- CGMSCL could finalize bids for 194 (15 per cent) equipment against the indent of 1271.

During the Exit Conference, Secretary while agreeing to the audit observation had stated (October 2015) that separate guidelines will be issued for purchase of special indented drugs at institutional level. However, no time frame has been mentioned within which the entire process would be completed.

CGMSCL should adopt uniform purchase policy and implement a streamlined process at the earliest for finalisation of the bids to avoid delay in supply of essential drugs.

#### **2.6.10.3 Non adoption of standard bid documents**

CGMSCL floated 18 bids during 2013-15 for procurement of drug, medicines and equipment. It was observed that CGMSCL frequently changed the clauses of tenders, liquidated damages, delivery period and penalty for delay in supply. The purchase orders did not specify penalty provisions, taxes and duties and terms of payment. Instances were noticed where at the time of payment, the delivery terms and conditions were changed and new condition incorporated for imposition of penalty, which however, was not mentioned in the tender clauses.

Non-adoption of standardized bid documents resulted in frequent amendments and changes in the tender clauses and undue favour to one firm as mentioned in Para 2.6.10.8.

Secretary while accepting the audit observation had instructed (October 2015) CGMSCL to adopt standard bid documents by including all the conditions after obtaining approval from the Board of Directors. Fact remains that the effects of frequent amendments and changes in the tender clauses during the period under report have not been looked into.

CGMSCL may adopt a standard tender document free from ambiguities while incorporating provisions to safeguard Government interest.



#### 2.6.10.4 Inconsistencies in indent, procurement and lifting of drugs

CGMSCL is authorised to carry out the centralised procurement, test, store and supply of all kinds of generic drugs and medicines, equipment to various facilities as per projected indents received from the indenting departments (DHS and DME).

Scrutiny of records of CGMSCL revealed that during the period 2013-15, the indenting departments had placed indents after consolidation of requirements received from the facilities across the State on CGMSCL and the details of year wise indents received and procurement of drugs are as under:

**Table-2.6.2: Details of year wise indents received and procurement of drugs**

Year	Drugs Indented	Drugs procured	Drugs not procured (Per cent)
2013-14	380	210 (55.26)	170 (44.74)
2014-15	412	223 (54.13)	189 (45.87)

(Source: Information provided by CGMSCL and compiled by audit)

It was found that out of 380 and 412 indented Essential Drug List (EDL) drugs, the CGMSCL had procured 210 (55.26 *per cent*) and 223 drugs (54.13 *per cent*) respectively during the period 2013-14 and 2014-15. Out of 210 drugs procured during the year 2013-14, 186 drugs (88.57 *per cent*) were procured less than the indented quantity, whereas 24 drugs (11.43 *per cent*) were procured in excess of indented quantities. Similarly, during the year 2014-15, out of 223 drugs procured, 206 drugs (92.38 *per cent*) were procured less than the indented quantity and 17 drugs (7.62 *per cent*) were procured in excess of indented quantities. This indicates that there were inconsistencies in indenting and procurement of drugs.

Further, analysis of lifting of drugs in comparison to procurement revealed following discrepancies:

- Various health establishments lifted only 36 to seven *percent* of the procured drugs in 2013-14 and 2014-15 respectively.
- Even after placement of demand, eight (22,37,804 quantities) and 12 (6,59,710 quantities) types of drugs were not lifted in 2013-14 and 2014-15 respectively.

These indicated that indents were placed by various health establishments without assessing actual requirement. No reply was furnished by the Government (November 2015).

#### 2.6.10.5 Irregular supply of medicines

It was observed that during the period 2013-15, CS, Ambikapur had placed indent for 13,35,517 drugs worth ₹ 3.69 crore to CGMSCL. Against the indent, CS received 6,55,971 drugs which included 84,341 drugs valued at ₹ 41.70 lakh not as per the indent and 93,155 drugs valued at ₹ 14.16 lakh in excess of indented quantity.

It was also observed that during the period 2013-15, CS Kanker had placed indents for 5,81,65,012 quantities of medicines to DHS. After consolidation of requirement, DHS placed demand in favour of CGMSCL for procuring and supplying drugs/medicines. Out of this, CS received (November 2013-March 2015) 5,04,198 quantities of drugs worth ₹ 69.47 lakh. This included 30232 drugs valued ₹ 8.83 lakh which was not as per the indent. Out of this 4702

drugs worth ₹ 0.78 lakh were due for expiry in November 2015. This indicated unwarranted procurement and supply of drugs.

The Secretary, during the Exit Conference while accepting the audit observation had stated (October 2015) that efforts were being made to adopt a scientific indenting procedure and also stated that in future drugs will be provided according to requirements. However, no reasons were given for procurement of drugs not in the indent list, excess procurement which were due for expiry. Also no time frame was mentioned for putting in place scientific indenting procedure.

#### **2.6.10.6 Excess procurement of drugs**

The CGMSCL placed (9 July 2013) order to M/s Bharat Serum And Vaccines Limited, Bhiwandi (BSVL) for supply of 26014 Anti Tetanus Immuno-globulin vials (Drug code D 46) against indent of 52027 costing ₹ 4.29 crore. Subsequently, DHS revised (30 July 2013) the quantity of drug to 5000 as per the actual requirement assessed on the basis of usage pattern. Accordingly, CGMSCL placed (30 July 2013) revised order to BSVL for reduced quantity of 5000 vials. However, BSVL refused (31 July 2013) to accept the revised order on the ground of the despatch of the drugs and delivered (August 2013) original ordered quantity of 26014 vials and received payment (April 2014) of the ₹ 4.29 crore.

Audit further observed that DHS had also placed (June 2013) separate order for supply of 5000 vials directly to BSVL costing ₹ 82.69 lakh. Audit analyzed the utilization pattern of the drug in test checked units<sup>3</sup> and found that out of 3782 vials, only 1334 (35 per cent) were consumed as of June 2015.

Thus, procurement in excess of requirement and possible non-utilization due to lack of coordination between CGMSCL and DHS resulted in blocking of funds worth ₹ 4.29 crore.

Further, it was noticed (July 2015) that in the office of BMO Koyalibeda, 340 vials valuing ₹ 5.61 lakh were not available in the stores out of 1000 vials lifted in September 2013.

The Secretary stated (October 2015) during the Exit Conference that action will be taken for utilising the drugs before the expiry date and that efforts will be made to adopt scientific indenting procedure. However, Secretary could neither justify excess procurement nor explain how the excess drugs would be utilised when the requirement was less.

#### **2.6.10.7 Wastage of drugs worth ₹ 1.51 lakh**

Scrutiny of records of CGMSCL revealed that due to lack of demand, drugs worth ₹ 1.51 lakh procured during the period 2013-15 could not be issued to patients till expiry of their shelf life resulting in wasteful expenditure of ₹ 1.51 lakh. It also indicated that medicines were procured without proper assessment of requirement.

The Secretary, during the Exit Conference while accepting the audit observation had stated (October 2015) that efforts were being made to adopt a

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<sup>3</sup> BRAMH Raipur, MH Jagdalpur, CS Kanker, CS Ambikapur and collected information from BMO Koyalibed (Kanker) and CMHO, Kaner and Surguja.

scientific indenting procedure and also stated that in future drugs will be provided according to requirements. However, accountability for wastage of drugs owing to excess purchase over requirements was not fixed.

CGMSCL may ensure procurement of drugs and medicines as per actual requirement based on realistic estimates.

#### **2.6.10.8 Undue favour to firm**

The CGMSCL placed (July 2013) order to a firm to supply 38020 vials of Polyvalent Anti Snake Venom for ₹ 2.41 crore. Being a biological product, it was required to be accepted after quality control approval from Central Drugs Laboratory of GoI (CDL). CGMSCL granted (March 2014) extension in delivery period from 60-120 days without Liquidated Damages (LD) after which penalty at the rate of 20 *per cent* on undelivered portion was to be levied.

In order to avoid the penalty, the firm delivered 16610 vials directly to CGMSCL without sending the same for quality test to CDL, while balance quantity was delivered on time with CDL report. However, CGMSCL accepted the drugs and released the entire payment without deducting LD resulting in undue favour to firm for ₹ 20.50 lakh.

The Secretary while agreeing to the audit observation had instructed (October 2015) CGMSCL to explain the reasons for non-levy of penalty and accepting drugs without test reports. Further response was awaited (November 2015).

#### **2.6.10.9 Excess expenditure on procurement of drugs**

Test check of records revealed that Joint Director cum Superintendent, Dr. BR Ambedkar Memorial Hospital, Raipur, (JDS, BRAMH) had placed an order (May 2015) to a firm to supply 14000 vials of Injection at ₹ 71 per vial, whereas the same injection was available at CGMSCL rate contract at ₹ 60.60 per vial. This resulted in avoidable excess expenditure of ₹ 1.41 lakh.

During the Exit Conference, the Secretary while agreeing to the audit observation had instructed (October 2015) the DME to recover the excess payment. Result of recovery was awaited (November 2015).

#### **2.6.10.10 Wasteful expenditure**

The DHS had obtained (August 2011) specifications and tentative cost of Antenatal Care (ANC) kit for conducting quality ANC at the periphery level from UNICEF. After finalization of bids, proposal was placed before High Power Committee for approval which rejected (April 2013) and directed (September 2013) to procure the same through CGMSCL.

Scrutiny of records of CGMSCL revealed that after finalization of bids, the DHS rejected purchase proposal due to insufficient funds. Thus, floating of tenders without ensuring availability of funds resulted in wasteful expenditure of ₹ 2.27 lakh on advertisement under tendering process.

The MD, CGMSCL stated (July 2015) that due to insufficient funds purchase could not be done. No reply was furnished by Government (November 2015).

#### **2.6.10.11 Idle expenditure on Home Based Neonatal Care (HBNC) kits**

Scrutiny of records of CGMSCL revealed that DHS had placed (October 2013) indent on CGMSCL for procurement of six items of 60,000 HBNC kits. After finalization of bids, purchase orders were placed (August 2014) for two

items and one firm executed (September-October 2014) the order of baby blankets. However, the blankets costing ₹ 58.30 lakh remained idle in warehouses as of October 2015 as the other five items had not been procured.

The MD, CGMSCL stated (July 2015) that items under HBNC kit are independent of each other and remaining items will be procured subsequently.

Fact remains that baby blankets were not distributed to the beneficiaries till October 2015 for which no justification could be furnished to audit.

## **2.6.11 Procurement of equipment**

### **2.6.11.1 Delay in supply/installation/commissioning of equipment**

Audit scrutiny revealed that during the period 2013-15 CGMSCL, based on indents placed by the different health facilities, placed 298 orders for the purchase of 41777 hospital equipment valuing ₹ 34.18 crore for use in hospital/laboratory. In compliance of purchase orders, equipment were delivered between January 2014 and July 2015 by the firms. However, equipment so procured could not be put to use as of October 2015 due to lack of infrastructure facilities, technical man power and incomplete furnishing of specification by the user. Consequently, 88 equipment including high value equipment of HPLC system, UV-Vis Spectrophotometer, GC-MS System valuing ₹ 1.55 crore (**Appendix 2.6.2**) were lying idle (October 2015) for seven to 18 months since their procurement. Incidentally, operational condition of these idle equipment had been deteriorating due to passage of time and the warranty period also had been expiring without utilization. Thus, failure to synchronize the procurement of hospital equipment with infrastructure facilities led to idling of equipment valuing ₹ 1.55 crore.

It was also observed that in 42 cases, the firms had delivered equipment with delay ranging from 61-289 days against the stipulated period of 60 days. However, the CGMSCL did not stipulate any period for installation of the equipment. Due to this, in 93 cases, the firms installed equipment with delay ranging from 20-210 days.

During the Exit Conference, the Secretary stated (October 2015) that efforts will be made to synchronise the procurement of equipment with infrastructure facilities. However, no roadmap to utilize the idle equipment gainfully has been worked out by Government.

Procurement of equipment should be synchronized with the infrastructure facilities available and their time bound utilization should be ensured so that the intended benefits are availed by the targeted population. Further, Government should immediately take steps to utilise the idle equipments.

## **2.6.12 Monitoring and control issues**

### **2.6.12.1 Non-forfeiture of security deposit of defaulting firms**

Tender clause 6 specifies that "performance security acts as a safeguard against unsatisfactory performance or violation of contract agreement by the supplier on the contract". Performance security shall be solicited from all successful bidders irrespective of their registration status. Ordinarily, performance security will be an amount of five *per cent* of the value of the contract as stated in bid document. Performance security may be furnished in the form of an account payee Demand Draft/Fixed Deposit Receipt.

Performance security is to be furnished within 10 days after notification of the award and it should remain valid for a period of 60 days beyond the date of completion of all contractual obligations of the supplier. In case of breach of contract by the supplier, the performance security is to be forfeited.

During the period 2013-15, 1064 purchase orders for supply of drugs worth ₹ 118.59 crore were placed by CGMSCL of which 116 purchase orders valuing ₹ 4.97 crore were not supplied by the supplying firms even after lapse of 190-864 days. However, as per tender clause, performance security from the defaulting firms totalling ₹ 24.86 lakh was not forfeited.

The above incidents indicate that internal control in the CGMSCL was non-existent.

During the Exit Conference, the Secretary had instructed (October 2015) CGMSCL to provide the status of forfeiture of the security deposit. Further action was awaited (November 2015).

CGMSCL should place in position an effective internal control and monitoring mechanism to apply necessary control at each level.

### 2.6.13 Conclusion and Recommendations

Government of Chhattisgarh (GoCG) established (October 2010) Chhattisgarh Medical Services Corporation Limited (CGMSCL) for centralised procurement of medicines and equipment and construction works of health department.

- Against the total allotment of ₹ 187.92 crore during the period 2013-15 under drugs and equipment, the department could only utilize ₹ 98.61 crore (52 per cent) mainly due to lack of any procurement policy. Thus, 48 per cent of the fund totalling ₹ 89.31 crore remained un-utilized.

Optimum utilization of funds should be ensured by preparing annual plan for purchases.

- CGMSCL did not adopt any uniform and documented procurement policy and there was no uniformity in the procedures followed for the various procurements. Non adoption of standardized bid document resulted in frequent amendments and changes in tender clauses besides undue favour of ₹ 20.50 lakh to a firm.

CGMSCL should adopt uniform purchase policy and implement a streamlined process for finalisation of the bids to avoid delay in supply of essential drugs.

- There were inconsistencies in indenting and procurement of drugs which resulted in short lifting of eight (22,37,804 quantities) and 12 (6,59,710 quantities) types of drugs in 2013-14 and 2014-15 respectively besides irregular supplies of 30232 drugs valued ₹ 8.83 lakh which was not as per the indent. Short lifting of drugs indicated improper assessment of requirement.

CGMSCL may ensure procurement of drugs and medicines as per actual requirement based on realistic estimates.

- Against 298 purchase orders placed by CGMSCL for the purchase of 41777 hospital equipment valuing ₹ 34.18 crore, 88 high value equipment valuing ₹ 1.55 crore could not be put to use due to lack infrastructure facilities,

technical man power and incomplete furnishing of specification by the user. Consequently, they were lying idle (October 2015) for seven to 18 months since their procurement.

Procurement of equipment should be synchronized with the infrastructure facilities available and their time bound utilization should be ensured so that the intended benefits are availed by the targeted population.

- Lack of monitoring had resulted in excess payment of ₹ 1.41 lakh, wasteful expenditure of ₹ 2.27 lakh, idling of equipment (₹ 1.55 crore) and non-forfeiture of security deposit of ₹ 24.86 lakh from defaulting firms.

CGMSCL should place in position an effective internal control and monitoring mechanism to apply necessary control at each level.

## SCHOOL EDUCATION DEPARTMENT

### 2.7 Working of Chhattisgarh Text Book Corporation

#### 2.7.1 Introduction

Chhattisgarh Text Book Corporation (CTBC) was constituted (August 2004) under School Education Department, Government of Chhattisgarh (GoCG) and registered (August 2004) under Chhattisgarh Society Registration Act, 1973. It is governed by Chhattisgarh Text Book Corporation Rules, 2004. The functions of the Corporation are printing, publication and distribution of text books for schools and teachers, providing all types of reading and training material and useful literature for educational institutions and other related works. These text books are authored and designed by State Council of Education, Research & Training (SCERT) functioning under the School Education Department, GoCG.

#### 2.7.2 Organisational set up

The CTBC is headed by Chairman and a Managing Director (MD) who is Chief Executive Officer. He is assisted by General Manager, four Senior Managers, two Managers and two Deputy Managers. There are 15 Depots (one Paper Depot at Raipur and 14 Text Book Depots across Chhattisgarh) headed by Depot Managers (**Appendix-2.7.1**).

#### 2.7.3 Audit objectives

The audit objectives were to assess whether:

- financial management of the CTBC was adequate;
- procurement, printing and distribution activities were executed in an economic, efficient and effective manner; and
- monitoring mechanism was in existence and was effective.

#### 2.7.4 Audit Criteria

Audit criteria was derived from Chhattisgarh Society Registration Act, 1973, CTBC Rules, 2004, Chhattisgarh Financial Code, Store Purchase Rules, 2002 and various guidelines, orders, notifications, circulars issued by State Government.

#### 2.7.5 Scope and Methodology

Audit was conducted during May to July 2015 covering the period from 2010-11 to 2014-15. For scrutiny, CTBC, Raipur and four (one Paper Depot and three Text Book Depots of Ambikapur, Raipur and Rajnandgaon) out of 15 Depots were selected by Probability Proportional to Size Without Replacement method. An exit conference was held with the Secretary, School Education Department on 27 August 2015 to discuss the audit issues. Replies received have been appropriately incorporated in the Report.

## 2.7.6 Financial management

CTBC prepares Annual Budgets by estimating its revenue and expenditure for the year. The details of receipt, budgeted expenditure and actual expenditure of CTBC for the years 2010-11 to 2014-15 are shown in the **Table 2.7.1** below:

**Table 2.7.1: Details of funds received, budgeted and expenditure of CTBC**

(₹ in crore)

Year	Opening Balance	Budgeted Receipts	Actual Receipts	Budgeted Expenditure	Actual Expenditure	Difference between in Budgeted amount and Actuals (Percentage)	
						Receipts	Expenditure
2010-11	25.33	98.96	97.79	112.57	87.69	-1.17 (-1.18)	-24.88 (-22.10)
2011-12	46.53	94.48	96.88	91.72	129.57	2.40 (2.54)	37.85 (41.27)
2012-13	31.27	107.86	122.61	143.52	103.08	14.75 (13.68)	-40.44 (-28.18)
2013-14	38.12	134.40	119.47	111.75	112.63	-14.93 (-11.11)	0.88 (0.79)
2014-15	45.50	131.42	132.90	126.75	77.23	1.48 (1.13)	-49.52 (-39.07)
<b>Total</b>		<b>567.12</b>	<b>569.65</b>	<b>586.31</b>	<b>510.20</b>		

(Source: Compiled from the information furnished by CTBC)

It could be seen from the table that the Actual Receipts of CTBC exceeded the Budgeted Receipts by ₹ 14.75 crore (13.68 per cent) during 2012-13 whereas it lagged by ₹ 14.93 crore (11.11 per cent) during 2013-14. This was due to delayed payment of bills of text book printing by departments.

In respect of expenditure, it was observed that the Actual Expenditure exceeded the Budgeted Expenditure in 2011-12 whereas it lagged by ₹ 24.88 crore, ₹ 40.44 crore and ₹ 49.52 crore during 2010-11, 2012-13 and 2014-15 respectively. This was due to variable tender rates of paper and printing. This showed that the estimates for both receipt and expenditure were not based on firm data.

During Exit Conference (August 2015), Government stated that differences in budgeted and actual receipts and expenditure were due to delays in raising of bills as it was done after verification of receipt of text books and their compilation. Fact remains that the differences in budgeted and actual receipts and expenditure could not be fixed by CTBC.

### 2.7.6.1 Non-preparation of Accounts and non-conducting of audit

As per Rule 20 of the CTBC Rules, 2004, the Society should prepare Annual Accounts of Receipt, Expenditure and Liabilities and maintain necessary records. The accounts should be audited by a Chartered Accountant (CA) under the Act and its report should be submitted to State Government (through General Body) and to the Registrar. As per CTBC Rules, the General Body approves Budget, Annual Income-Expenditure and Accounts and discusses Annual Report, Special & Interim Reports and proposals submitted by the MD.

Scrutiny revealed that Annual Accounts of Receipt, Expenditure and Liabilities were not being prepared and audited by CA since 2009-10. The audited accounts were not submitted to Registrar as required under CTBC Rules since its inception (2004). The Budget was approved by the General Body up to 2012-13 only.

During Exit Conference (August 2015), while accepting the audit observation, the Secretary stated that accounts and audit would be completed at the earliest. Fact remains that the Annual Accounts have not been prepared for the last five years



while audited accounts have not been submitted to the Registrar for last 11 years without any action from the Government. Further, the Secretary could not provide any time frame for doing this.

### **2.7.6.2 Blockage of funds due to outstanding payment of ₹ 81.29 crore and extra expenditure of ₹ 2.74 crore on interest payment**

CTBC executes printing works for various departments through printers, for which it raises bills to the concerned department and makes payment to printers.

Scrutiny of records revealed that an amount of ₹ 81.29 crore was to be recovered from various organisations/departments towards charges for printing for the period 2007-08 to 2014-15 (**Appendix-2.7.2**). There were also unpaid printing charges of ₹ 19.28 lakh for the period 2010-11 to 2013-14 to various printers.

It was further observed that for carrying out its activities, CTBC took loan of ₹ 20 crore (2009-10) and cash credit of ₹ 20 crore (2009-10 to 2011-12) from banks on which it paid interest of ₹ 2.74<sup>1</sup> crore. This was despite the fact that CTBC had funds as opening balances ranging between ₹ 4.72 crore and ₹ 46.53 crore and receivables of ₹ 21.02 crore to ₹ 24.90 crore during 2009-10 to 2011-12 from various departments during the same period. This resulted in extra expenditure amounting to ₹ 2.74 crore on payment of interest which could have been avoided had CTBC coordinated with the Government departments for payment of printing bills.

During Exit Conference (August 2015), while accepting the audit observation, the Government stated that efforts would be made to recover the amount. However the fact remains that non recovery of receivables owing to lack of coordination had resulted in extra expenditure of ₹ 2.74 crore on payment of interest.

Annual Accounts should be prepared and the audited accounts should be submitted to Registrar and the Government. Approval of the General Body should be obtained for the Budget. Serious efforts may be made by CTBC to expediently realize the outstanding dues from Government departments.

### **2.7.7 Assessment of requirement of text books**

For assessment of requirement of number of text books for the ensuing academic session, CTBC requisitions the number of students from the Directorate of Public Instruction (DPI), Rajiv Gandhi Shiksha Mission (RGSM) and Tribal Department (TD) during September to November each year before initiating the work of printing. The time prescribed for tenders and issue of work orders for procurement of paper and printing was June to September and distribution to Blocks and *Sankuls* (cluster of schools)<sup>2</sup> was May to mid-June next year.

Scrutiny of records revealed that the assessment of text books required was done on the basis of previous year's distribution due to non-receipt of information from the concerned departments. As a result, from the year 2010-11 to 2014-15, against

<sup>1</sup> ₹ 0.85 crore- 2009-10, ₹ 0.82 crore-2010-11, ₹ 0.96 crore-2011-12, ₹ 0.11 crore-2012-13, total ₹ 2.74 crore.

<sup>2</sup> In Chhattisgarh, there are 2625 Sankuls.

15.54 crore text books (including opening balance of 1.21 crore) printed for Class 1 to 10, only 15.15 crore text books were distributed while 0.35 crore text books remained undistributed. Of these, 4.75 lakh text books were rendered out of syllabus/unserviceable resulting in wasteful expenditure of ₹ 1.70 crore on the books. Similarly, against 24.53 lakh (including opening balance of 10.85 lakh) text books printed for Class 11 and 12, only 19.54 lakh text books were distributed, while 4.99 lakh text books remained undistributed. Since books of Class 11 and 12 are priced publications, excess printing of books resulted in blockage of funds. The details of text books printed and distributed from 2010-11 to 2014-15 are shown in **Table 2.7.2** and **2.7.3** below:

**Table 2.7.2: Details of no. of students, books printed and distributed for Class 1 to 10**

(figures in lakh)(%)

Year	Total no. of students	Total no. of Books available			No. of Books distributed	Balance No. of books (Per cent)	Out of syllabus/ Unserviceable books	
		Opening Balance	Books printed & received in the inter-depot	Total			No. of books	Amount (₹ in lakh)
2010-11	57.42	120.66	270.39	391.05	270.03	121.02 (31)	0.09	3.66
2011-12	59.71	120.93	283.30	404.23	286.71	117.52 (29)	1.7	52.32
2012-13	63.31	115.82	298.61	414.43	320.98	93.45 (23)	0.65	33
2013-14	64.65	92.80	284.40	377.20	351.52	25.68 (7)	1.71	57.96
2014-15	58.32	23.97	296.61	320.58	285.91	34.67 (11)	0.6	23.52
<b>Total<sup>3</sup></b>		<b>120.66</b>	<b>1433.31</b>	<b>1553.97</b>	<b>1515.15</b>	<b>34.67</b>	<b>4.75</b>	<b>170.46</b>

(Source: Compiled from the information furnished by CTBC)

**Table 2.7.3: Details of no. of books printed and distributed for Class 11 and 12**

(figures in lakh)(%)

Year	Opening Balance	No. of books printed	Total	No. of books distributed	Balance (Per cent)
2010-11	10.85	2.51	13.36	4.55	8.81 (66)
2011-12	8.81	2.14	10.95	4.89	6.06 (55)
2012-13	6.06	2.97	9.03	3.46	5.57 (62)
2013-14	5.57	3.26	8.83	3.40	5.43 (61)
2014-15	5.43	2.80	8.23	3.24	4.99 (61)
<b>Total<sup>4</sup></b>	<b>10.85</b>	<b>13.68</b>	<b>24.53</b>	<b>19.54</b>	<b>4.99</b>

(Source: Compiled from the information furnished by CTBC)

It was further observed that during 2010-11 to 2014-15, text books were distributed after start of the session (August to September) due to non-receipt of information regarding number of students and additional demands of text books from departments.

Thus, CTBC failed to evolve a mechanism for assessment of proper requirement of text books leading to high stock balances and loss due to out of syllabus/unserviceable text books. It also resulted in delayed delivery of text books to students.

<sup>3</sup> 120.66 lakh (Opening Balance) + 1433.31 lakh (books printed) = 1553.97 lakh (Total) – 1515.15 lakh (distribution) – 4.15 lakh (wasteful books from 2010-11 to 2013-14) = 34.67 lakh (Balance).

<sup>4</sup> 10.85 lakh (Opening Balance) + 13.68 lakh (books printed) = 24.53 lakh (Total) – 19.54 lakh (distribution) = 4.99 lakh (Balance).

During Exit Conference (August 2015), Government stated that assessment of text books is done by estimation based on last year's number of passed out students and balance text books are distributed in next session unless they become redundant due to change of syllabus. However, Government did not furnish any reasons for non-distribution of 35 lakh (for classes 1 to 10) and 4.99 lakh books (for classes 11 to 112) books besides loss on account of 4.75 lakh unserviceable books. Government also did not give any reasons for distribution of books after commencement of classes.

We recommend that standard mechanism for assessment of requirement of text books should be devised and the books should be distributed to students before commencement of classes.

### **2.7.8. Procurement, printing and distribution of text books**

The major activity of the CTBC includes procurement of paper, printing of text books and other materials and its distribution.

#### **Procurement of paper for text books**

##### **2.7.8.1 Inadmissible advance to suppliers**

For procurement of paper for session 2014-15, tenders were invited (August 2013) and the L1 rate received for 70 GSM (Grams per square metre) Maplitho paper was ₹ 57,042 per MT. School Education Department, GoCG directed (September 2013) to cancel the tender and procured the paper through the Rate Contracts (RCs) of Director General of Supplies & Disposal (DGS&D). Accordingly, NIT was cancelled (September 2013) and an agreement was executed (October 2013) with an agency for supply of the paper at DGS&D RC at the rate of ₹ 49570 per MT.

As per the payment terms of the DGS&D RC, 50 *per cent* payment was allowed upon proof of inspection, acceptance thereof and dispatch of stores. Balance amount was to be paid on receipt of stores in good condition by the consignee.

Scrutiny of records revealed that 90 *per cent* of the contract amount i.e. ₹ 44.61 crore was paid in advance to the supplier without even inspecting the consignment which was irregular. Further, instead of adjusting the advance payment from the current bills, as and when balance quantity of paper were received, CTBC made further payment of the remaining 10 *per cent* of the contract value. The payment of 90 *per cent* of the contract value as advance and payment of the balance amount before certification of receipt resulted in loss of interest of ₹ 1.29 crore (**Appendix 2.7.3**).

During Exit Conference (August 2015), Government stated that the tenders were cancelled for session 2014-15 and for immediate paper procurement on DGS&D rates, advance was given to the agency on basis of its condition for supply.

The reply was not acceptable as DGS&D RCs conditions were not adhered to.

### 2.7.8.2 Award of tender for procurement of paper at rates higher than the DGS&D rates

Scrutiny of records of procurement of paper revealed that for session 2010-11, 70 GSM Cream-wove paper was procured on tender basis from seven firms at the negotiated rate of ₹ 43700 per MT while 70 GSM Maplitho Paper of higher quality was available at a cost of ₹ 41562.24 per MT as per the DGS&D RC<sup>5</sup> with an agency who was also one of the supplier firms for the paper to CTBC. In the year 2012-13 and 2013-14, 70 GSM Cream-wove and Maplitho paper was procured by inviting tenders at ₹ 44307 per MT and ₹ 48780 per MT while the rate of the paper was ₹ 42959.62 per MT and ₹ 45335.77 per MT respectively as per the RCs<sup>6</sup> of DGS&D with the agency. Since the offers received from the firms were more than the DGS&D rate, CTBC should have rejected these offers and awarded the tender to RC holder at DGS&D rates. This would have saved the CTBC ₹ 8.51 crore as shown in **Table 2.7.4**:

**Table 2.7.4: Details of higher cost incurred in procurement of paper**

Session	Type of Paper	Rate at which procured (in ₹/MT)	Rate as per DGS&D RC (in ₹/MT)	Rate difference (in ₹/MT)	Quantity procured (MT)	Extra Cost (in ₹)
2010-11	70 GSM Creamwove	43700	41562.24	2137.76	10833.0440	23158448
2012-13	70 GSM Creamwove	44307	42959.62	1347.38	12150.7694	16371703
2013-14	70 GSM Maplitho	48780	45335.77	3444.23	13222.2890	45540548
	<b>Total</b>				<b>36206.1024</b>	<b>85070699</b>

(Source: Compiled from the information furnished by CTBC)

The details of 36206.1024 MT of 70 GSM paper procured for the academic session 2010-11, 2012-13 & 2013-14 are given in **Appendix 2.7.4**.

During Exit Conference (August 2015), Government stated that tenders were floated as per Chhattisgarh Store Purchase Rules and procurement of paper was done at DGS&D rates from session 2014-15. Now tenders were being floated with the condition that rates higher than DGS&D rates would not be accepted.

However, the fact remains that the procurement at higher rate over DGS&D rate had resulted in avoidable payment of ₹ 8.51 crore during 2010-14.

### 2.7.8.3 Delayed supply of paper and non-imposition of penalty

As per NIT clause, penalty should be imposed at 0.1 *per cent* per day of delay on the purchase value of paper not supplied within the specified period. The delayed supplies would be adjusted in successive supplies. Penalty may be imposed even if the delay in supplies had not resulted in any financial loss to the Corporation. However, the MD, in special circumstances may condone the delay.

Scrutiny of records for the period 2010-11 to 2014-15 revealed that there were delays ranging from one to 97 days in paper supply but these were condoned even though the delays were attributable to the supplier. Further, delivery schedule was changed without any reason on record. This resulted in non-imposition/ short imposition of penalty amounting to ₹ 2.72 crore (**Appendix 2.7.5**).

<sup>5</sup> RC No. MAPLPAPER/PP-4/RC-K1070000/1109/P-4/00833/0486 valid upto April 2010.

<sup>6</sup> RC No. P.P.W.C/PP-5/RC-K10T0000/0912/P-5/05090/0382 valid upto September 2012 and MAPLPAPER/PP-4/RC-K1070000/0612/P-4/05090/0507 valid upto August 2012.

During Exit Conference (August 2015), Government stated that matter would be looked into and action would be taken accordingly. Fact remains that the CTBC did not invoke penal clause on the defaulting suppliers to impose and recover penalty.

#### **2.7.8.4 Excess payment to supplier**

As per terms of the RC, road freight charges shall be allowed on the basis of distance between Railway Station nearest to RC holders and Railway Station nearest to the Consignee. No loading and unloading charges would be allowed as these were included in freight charges. The rates of transportation of paper were ₹ 1.70 per km per MT for distances of 1000 km and above.

Scrutiny of records of paper supplied for session 2014-15 of an agency revealed that road freight charges at ₹ 4250 per MT was paid to the supplier instead of ₹ 3243.60<sup>7</sup> per MT payable, resulting in payment of excess freight charges of ₹ 1006.40 per MT. Thus, on supply of 10869.0344 MT of paper, an excess payment ₹ 1.09 crore was made to the supplier. Besides, unloading charges of ₹ 3.95 lakh at the consignee place (CTBC Depot) was also borne by the CTBC which was not recovered from the supplier bills. Further, insurance charges at the rate of ₹ 150 per MT were also paid to the supplier, though it was the supplier's responsibility leading to an excess payment of ₹ 16.30 lakh. Payment of excess transportation charges, non-recovery of unloading charges and insurance charges resulted in excess payment of ₹ 1.29 crore to the supplier.

During Exit Conference (August 2015), Government stated that the amount would be adjusted from the bills of the agency. Fact remains that the CTBC made excess payments to the paper supplier.

We recommend that procurement of paper should be done at economical rates and timely supplies should be ensured.

#### **Printing of Text Books**

##### **2.7.8.5 Absence of rate analysis resulted in procurement at higher rates**

Tenders were invited by CTBC for rates of different categories of printing of text books for the academic session 2010-11 to 2013-14. The tender invited for session 2014-15, however was cancelled and offers were made to printers based on analysis of rates. The details of accepted rates for Web based offset printing from the year 2010-11 to 2014-15 is given in **Table 2.7.5**:

<sup>7</sup> Rail distance from Jagi Road (nearest rail head from Morigaon i.e. R/C holder premises) to Raipur = 1908 km; Rate per MT = 1908 km \* ₹ 1.70 per km per MT = ₹ 3243.60 per MT.

**Table 2.7.5: Details of accepted tender rates of printing forms of eight pages** (Rate in paise)

Type [Slab (for above 4 lakhs forms)]	Rates for Web offset Printing					
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Single Colour/Centre/Side Stitching	6.85	7.60	8.00	11.50	20.00	12
Single Colour/Perfect Binding	11.85	12.35	11.70	18.90	26.00	18
Single Colour/Centre/Side Stitching	12.70	13.20	14.50	21.50	24.50	19
Multi Colour/Perfect Binding	17.70	17.40	17.50	28.00	30.50	24

(Source: Compiled from the information furnished by CTBC)

Scrutiny of records of accepted rates and offered rates revealed that as compared to the previous year, there was increase of up to 11 *per cent* and 10 *per cent* in 2010-11 and 2011-12 respectively (**Appendix 2.7.6**). Further, in case of 2012-13 and 2013-14, the increase was up to 62 *per cent* and 74 *per cent* respectively.

However, during 2014-15 a rate analysis was done by CTBC, which was accepted by all the firms. The rates arrived in the rate analysis were less (21 *per cent* to 40 *per cent*) than the rates accepted in the previous year. Had a similar rate analysis been done in previous years, the spike in rate during 2012-13 and 2013-14 and consequent loss to the Corporation could have been avoided.

During Exit Conference (August 2015), Government stated that L-1 rates have been accepted each year and subsequently rate analysis was also done to ensure the lowest rates for the printing.

The reply was not acceptable as rate analysis was not done for earlier years which could have avoided the higher cost of printing.

### 2.7.8.6 Excess payment to printers

(A) CTBC invites tenders for printing of text books on the basis of number of forms to be printed. A Form is a cluster of eight pages. Based on the number of forms, different slabs are prepared. Each slab has different rates. The slab rates decrease with increase in number of forms to be printed. The printers are to quote the rates for printing based on number of forms as per slabs decided by CTBC. The slabs for 2014-15 are detailed below:

**Table 2.7.6: Illustrative slabs for Multi-colour perfect binding web offset printing**

Particulars	Slabs of printable forms (8 page) for Web Offset printing	Rates for slabs (in paise)
Number of Forms to be printed	Upto 10,000	53
	10,001 to 25,000	47
	25,001 to 50,000	38
{(No. of pages per textbook x No. of text books to be printed) / 8}	50,001 to 2,00,000	25
	2,00,000 to 4,00,000	24
	Above 4 lakhs	24

(Source: Compiled from the information furnished by CTBC)

Test check of records of 22 printers (two in 2010-11 and five each during 2011-15) revealed that while making the payment for printing charges, CTBC worked out the rate by identifying the slab on the basis of number of books and not the Forms which was to be arrived at by working out the total number of pages of all the books and dividing it by eight.

This resulted in selection of slab which had higher printing rate and eventually led to excess payment of ₹ 1.52 crore to printers (**Appendix 2.7.7**).

(B) As per Clause 3(a) of the NIT (session 2012-13), the rates quoted are inclusive of printing of Inner pages, Cover pages, binding, transporting, all taxes levied by the State /Central Government/local bodies.

Against the above provision, CTBC made payment to printers at rates ranging from ₹ 0.12 to ₹ 0.75 per Form for inner page while at the rate of ₹ 1.84 per Form for cover page. This resulted in excess payment of ₹ 86.61 lakh for 55.02 lakh Forms of cover pages in violation of the NIT clause during 2012-13 in five test checked printers (**Appendix 2.7.7**)

During Exit Conference (August 2015), Government stated that printing work had been done on L-1 rates. It was further stated that method of tendering for printing have now been changed and rates for printing of complete text books have been called for.

The reply corroborated the audit findings that payment was made based on wrong assumption leading to excess payment.

#### **2.7.8.7 Undue benefit to printer**

As per provisions of NIT, at the time of execution of agreement, the successful bidder should deposit with the Corporation the minimum prescribed amount as Paper Security Deposit in the form of Bank Guarantee within 15 days from acceptance of the tender. Further, the printer should not be allowed to take the delivery of printing paper and cover paper more than double the value of his security deposit (SD).

Test check of records of 22 printers (two in 2010-11 and five each during 2011-15) revealed that ₹ 4.99 crore was taken less as paper security deposit from the printers (**Appendix 2.7.7**). Moreover, the printers were allotted paper more than twice the value of SD deposited, even before they started supplying printed books. This resulted in undue aid of ₹ 13.07 crore to the printers.

During Exit Conference (August 2015), Government admitted that contract conditions were violated but stated that excess paper was issued to the printers for ensuring timely completion of printing of text books. The paper was issued on rotation and was adjusted by receiving text books. Fact remains that undue aid was extended to the printers against contract conditions.

#### **2.7.8.8 Delayed supply of text books and non-imposition of penalty**

As per NIT, in case of delay of supply of books at the depots, the printer shall be liable to pay penalty at one *per cent* of the printing charges per day for first 15 days and thereafter 1.5 *per cent* per day in respect of books that were not supplied. If delay is more than 30 days, the SD of the printer may be forfeited.

Scrutiny of records revealed that although printers could not supply the books within the prescribed time schedule for the session 2011-12, CTBC's Books Testing Committee condoned the delay of all printers (up to 30 May 2011)

without citing any reason for the same. Test check of five printers revealed that penalty amounting to ₹ 57.36 lakh was not imposed on printers.

During Exit Conference (August 2015), Government stated that matter would be looked into and action would be taken accordingly. Fact remains that the CTBC did not invoke penal clause on the defaulting suppliers to impose and recover penalty.

We recommend that the printers should be paid as per conditions of the NIT and printing should be done at economical rates and timely supplies be ensured.

### Distribution of text books

#### 2.7.8.9 Survey of children

CTBC executed an agreement (January 2010) with Chief Post Master, Chhattisgarh Circle, Department of Posts (DOP) for collecting online and offline updated database of all 62000 schools in Chhattisgarh within one month for session 2010-11. The amount payable was ₹ 100 per school for database collection. The work of Web Space (for one year), Inventory Management of text books and web site designing was allotted to an agency for ₹ 1.75 lakh.

Scrutiny revealed that DOP prepared database for 39,817 schools only out of 62000 schools. An amount of ₹ 39.82 lakh was paid for survey work and ₹ 1.75 lakh was paid for web space/ web site designing. Since the survey was incomplete and web page was not maintained/updated the CTBC did not use the database rendering the amount of ₹ 41.57 lakh unfruitful.

During Exit Conference (August 2015), while accepting the audit observation, the Government stated that such arrangement was not followed after 2010-11. Fact remains that the survey work remained incomplete and the database was not used by the CTBC.

We recommend that number of students should be obtained from the concerned departments.

### 2.7.9 Manpower Management

School Education Department, GoCG sanctioned (December 2005) manpower for CTBC and the working strength is given below in **Table 2.7.6:**

**Table 2.7.6: Details of Sanctioned and working strength of CTBC as on March 2015**

Category	Sanctioned Strength	Working Strength	Vacancy (Per cent)
Class-I	6	4	2 (33)
Class-II	3	1	2 (67)
Class-III	93	45	48 (52)
Class-IV	39	27	12 (31)
<b>Total</b>	<b>141</b>	<b>77</b>	

(Source: Information furnished by CTBC)

It could be seen from the table that there was shortage of manpower ranging between 31 to 67 per cent in various categories of posts. Although CTBC advertised for filling up of vacant posts in 2011, the posts were not filled as of May 2015.



During Exit Conference (August 2015), Government stated that manpower strength was being reviewed and would be rationalised. Facts remains that the vacancies could not be filled up in more than four categories of posts since advertised in 2011.

### 2.7.10 Monitoring

As per Clause 3.2.1 of Indian Standard (IS) of Methods of Sampling and tests for paper and allied products, each lot of paper should be examined separately for ascertaining the conformity to the requirements of the relevant material specification. Clause 3.1.2 defined 'Lot' as quantity of paper of identical specification and belonging to the same batch of manufacture. CTBC tests the quality of paper supplied through accredited laboratories.

Scrutiny of records of quality tests of paper procured for 2010-11 to 2014-15 revealed that against supply of 6949 to 13222 MT of 70 GSM paper, only two to 13 tests were conducted. Likewise against supply of 650 to 1106 MT of 230 GSM paper, only two to five tests were conducted (**Appendix-2.7.8**). No information was available with CTBC as to number of lots of paper received. Further, lot wise test was not conducted by CTBC. Thus, the required number of quality tests were not conducted on papers costing ₹ 271.64 crore.

In case of miscellaneous printing works, the paper was used by the printer himself and the testing of paper was being done by CTBC through accredited laboratories. It was observed that in the year 2011-12, nine printers were paid ₹ 2.83 crore for miscellaneous printing works while the paper used by them was tested for only one parameter i.e. GSM while other parameters as per IS such as mechanical pulp, tensile index, opacity, Cobb and brightness were not tested.

Due to non-testing of all lots of paper for all parameters, the quality of paper used in text books and other items of printing could not be ensured.

During Exit Conference (August 2015), Government stated that testing of the paper would be done as per the standards. Fact remains that the prescribed quality tests of paper were not done as per required standards.

We recommend that quality tests of the paper should be conducted as prescribed.

### 2.7.11 Conclusion and Recommendations

Chhattisgarh Text Book Corporation (CTBC) was constituted (August 2004) under School Education Department, Government of Chhattisgarh (GoCG) for the purpose of printing, publication and distribution of text books for schools and teachers, providing all types of reading and training material and useful literature for educational institutions and other related works.

- The Annual budget and expenditure of the CTBC were not based on firm data as the Actual receipts and Expenditure lagged/ exceeded the Budgeted Receipts and Expenditure. The Annual Accounts of CTBC were not prepared and audited by CA since 2009-10 and accounts were not submitted to Registrar of Societies since inception (2004). The budget was not approved by General Body since 2013-14. Outstanding dues of ₹ 81.29 crore were not recovered from the

Government departments and extra expenditure of ₹ 2.74 crore was incurred on payment of interest despite availability of funds as opening balances and bills receivables.

Annual Accounts should be prepared and the audited accounts should be submitted to Registrar and the Government. Approval of the General Body should be obtained for the Budget. Serious efforts may be made by CTBC to expediently realize the outstanding dues from Government departments.

- There was no mechanism for assessment of requirement of text books and it was done on the basis of previous year's distribution due to non-receipt of information from concerned departments leading to high stock balances and loss of ₹ 1.70 crore due to out of syllabus/unserviceable text books.

Standard mechanism for assessment of requirement of text books should be devised.

- Inadmissible advance of ₹ 44.61 crore was given to paper supplier which resulted in interest loss of ₹ 1.29 crore. Award of contract for procurement of paper at rates higher than the Director General of supplies and Disposal rates resulted in loss of ₹ 8.51 crore to CTBC. Also, penal provisions were not invoked for delayed supply of paper and penalty of ₹ 2.72 crore was not imposed. Excess payment of ₹ 1.29 crore on freight, insurance and unloading charges to paper supplier was made.

Procurement of paper should be done at economical rates and timely supplies should be ensured.

- Absence of rate analysis for printing text book resulted in loss to CTBC. Non-adherence to the tender conditions resulted in excess payment of ₹ 2.39 crore to printers. Undue benefit ₹ 18.06 crore was extended to printers by accepting lower paper Security Deposit and allotting more paper. Also, penalty of ₹ 57.36 lakh was not imposed for delayed supply of text books.

The printers should be paid as per conditions of the NIT and printing should be done at economical rates and timely supplies be ensured.

- As per Indian Standard, each lot of paper should be examined separately for ascertaining the conformity to the requirements of the relevant material specification. CTBC tests the quality of paper supplied through accredited laboratories. Quality tests of paper costing ₹ 274.47 crore were however, not conducted as per Standards.

Quality tests of the paper should be conducted as prescribed.

## HEALTH AND FAMILY WELFARE DEPARTMENT

### 2.8 Working of Chhattisgarh State AIDS Control Society

#### 2.8.1 Introduction

Government of India (GoI) launched National AIDS Control Programme (NACP) Phase-I, in 1992 to combat the Human Acquired Immuno Deficiency Syndrome (AIDS). National AIDS Control Organisation (NACO) was constituted to implement the programme. NACO implemented subsequent phases of the programme NACP-II during 1999-2006 and NACP-III during 2006-11. The key programme objectives of NACP-III (2007-11) was prevention of new infections in high risk groups and general population. The current phase, NACP-IV is to be implemented over the period 2012-17 and it aims to reduce new infections and provide comprehensive care and support to all people living with HIV<sup>1</sup> (PLHIV) and treatment services to all those who require it.

According to GoI's HIV Estimation 2012, the number of PLHIV/AIDS in India was 20.89 lakh with an estimated adult (15-49 age group) HIV prevalence of 0.27 *per cent*. In Chhattisgarh State, based on the epidemiological and vulnerability criteria, one district was categorized as 'A' (high prevalence), 11 districts were categorized as 'C' (low prevalence with increased vulnerable population) and six districts were categorized as 'D' (low prevalence and low/unknown vulnerability). Nine new districts were yet to be categorized.

With a view to implement the programme in the State, Chhattisgarh State AIDS Control Society (CGSACS) was registered (May 2001) under Madhya Pradesh Society Registration Act 1973 and became functional from May, 2002. CGSACS is responsible for conducting programmes like HIV testing of general population through Integrated Counselling and Testing Centre (ICTC), linkages of PLHIV/AIDS to Anti-Retroviral Treatment Centres (ART) for distribution of medicines, conducting tests of Cluster of Differentiation-4<sup>2</sup> (CD-4), providing services to Sexually Transmitted Infection (STI) patients, blood safety services, Information, Education and Communication (IEC) activities, distribution of condoms, syringe, lubes and Behaviour Change Communication (BCC) services through Targeted Interventions (TI).

#### 2.8.2 Organisational Structure

CGSACS is an autonomous body and its governing body is the highest policy-making structure headed by the Minister, Health and Family Welfare. The Secretary, Health and Family Welfare Department is responsible for implementing the NACP in the State. For day-to-day working of CGSACS, an executive committee was constituted at State level with a Project Director of CGSACS. The Project Director is assisted by one Additional Project Director, one Joint Director and nine Deputy Directors (DD).

<sup>1</sup> Human Immunodeficiency Virus

<sup>2</sup> It is a test for assessing the Immunity of PLHIV

### 2.8.2.1 Institutional Arrangements

NACO provides HIV testing kits to ICTCs and Prevention of Parent to Child Transmission Centres (PPTCTs), Anti-Retroviral/Opportunistic Infection (ARV/OI) drugs, CD-4 testing kits for ARTs, STI/RTI drugs for STI clinics, testing kits and blood bags to NACO assisted blood banks through CGSACS. NACO also provides Lab technicians and Counsellors for testing and counselling purpose and funds for furniture. The State Government provides premises in hospital buildings for these institutions. District Aids Control Societies (DACS) are responsible for implementing the programme at district level through Chief Medical and Health Officer (CMHO) of the district. DACS monitors the ICTCs, STIs and executes the IEC activities at district level.

For implementing the NACP in the State, five ART centres, five Link-ART centres, 116 ICTCs, four PPTCT centres, 32 designated STI clinics and NACO assisted 16 blood banks were established as of March 2015.

### 2.8.3 Audit objectives

The objectives of the long draft paragraph (LDP) were to assess whether:

- planning, monitoring, procurement and distribution of Anti-Retroviral drugs, blood safety services, HIV testings and STI services were adequate and effective;
- TIs were selected in a transparent manner and the intended services were obtained from them ; and
- IEC activities were properly planned, targeted and effectively executed.

### 2.8.4 Audit criteria

The following were the sources of audit criteria:

- Scheme Guidelines, circulars and instructions, operational guidelines for Financial Management issued by NACO and
- Approved Annual Action Plans and Annual Reports of CGSACS.

### 2.8.5 Audit Scope and Methodology

The Long Paragraph on “Working of Chhattisgarh Aids Control Society” was conducted during April 2015 to July 2015 and covered the period 2010-15. We scrutinised the records maintained by the CGSACS at State and DACS level, four ARTs<sup>3</sup>, 32 out of 116 ICTCs and 15 out of 45 NGOs at field level in five<sup>4</sup> selected districts out of 27<sup>5</sup> districts. The scope, methodology and objectives were intimated (July 2015) to the Secretary, Health Department and an exit conference was held with the Secretary in October 2015 to discuss the audit findings and replies/views of the Government have been suitably incorporated in the report.

<sup>3</sup> Bastar, Bilaspur, Durg, Raipur.

<sup>4</sup> Bastar, Bilaspur, Durg, Raigarh and Raipur.

<sup>5</sup> In four districts Bijapur, Narayanpur, Kondagaon and Sukma are not fully functional as being new districts. The selection of five districts were made from remaining 23 districts on the basis of expenditure incurred PLHIV/AIDS.

During the period 2003-15, total HIV patients in the State were 20,511 out of which 14,053 patients were registered as HIV positive during the period 2010-15. Total number of individuals in registered High Risk Groups (HRGs) in the State were 31,086 (March 2015) and in five test checked districts, they were 13,912.

### 2.8.6 Financial Management

CGSACS receives fund from NACO (through treasury from 2014-15) and gives advances to districts and other peripheral units for implementation of the NACP. The position in respect of grants released by NACO and expenditure reported by CGSACS during 2010-15 is as follows:

**Table 2.8.1: Details showing flow of funds**

(₹ in crore)

Year	Approved Action Plan	Amount received				Expenditure (per cent)
		Opening Balance	From NACO	Bank Interest	Total available fund	
2010-11	16.08	6.68	13.14	0.23	20.06	11.38 (57)
2011-12	19.52	8.68	13.40	0.78	22.85	13.42 (59)
2012-13	19.87	9.43	12.57	0.41	22.41	13.56 (61)
2013-14	24.72	8.85	10.02	0.25	19.12	14.40 (75)
2014-15	28.32	4.72	19.55	0.10	24.38	12.67 (52)
<b>TOTAL</b>	<b>108.51</b>		<b>75.36</b>	<b>1.78</b>		<b>65.42</b>

(Source: Data provided by CGSACS and compiled by audit)

It could be seen from the table that CGSACS could not obtain ₹ 33.15 crore (31 per cent) from NACO due to non-achievement of targets as per annual action plan. The CGSACS incurred expenditure ranging from 52 to 75 per cent from the total available funds during 2010-15.

Government (October 2015) stated that many posts were vacant due to which many components of the programme could not be conducted.

Fact remains that department failed to utilise the available funds indicating tardy implementation of programme.

We recommend that necessary steps should be taken by the CGSACS to fill up the vacant posts at the earliest and utilise the sanctioned funds to achieve the objective of the programme.

#### 2.8.6.1 Non adjustment of Advances worth ₹ 10.74 crore

As per para 11.11.2 of Operational Guidelines for Financial Management, the utilization certificate (UC)/Statement of Expenditure (SOE) should be obtained within one month otherwise no further advances should be given to any agency.

Scrutiny of records revealed that advances were issued to the staff, districts and NGOs for implementing the activities of the scheme. It was noticed that advances totalling ₹ 10.74 crore were lying outstanding with them for which SOE/UCs were to be obtained as of March 2015. However, the UCs were not submitted as of September 2015. In the absence of UCs it could not be checked whether the works for which the advances were provided, were completed.

While accepting the audit observation, Government stated (October 2015) that the outstanding advances would be adjusted at the earliest.

## 2.8.7 Programme Implementation

Prevention was the mainstay of the NACP strategy. Accordingly, setting up of Targeted Intervention (TI) sites to cover HRGs and bridge population, STI/RTI Control and Prevention Services, Safe Blood Transfusion Services, Condom Promotion, Counselling and Testing Services and Care, Support and Treatment Services for PLHIV were the main focus of the programme to achieve the intended goal. Audit covered all the components of NACP as implemented by CGSACS. The findings are detailed below:

### 2.8.7.1 Components of National Aids Control Programme (NACP)

Under NACP, funds are provided by NACO for TI, Link Worker Scheme, IEC, ICTC, STI, Blood Safety, CST and Sentinel Surveillance/Strategic Management Information System. Component wise allocation of funds during 2010-15 and expenditure incurred there against in respect of the major activities (**Appendix 2.8.1**) revealed that 28 to 75 *per cent* of the available funds were not utilised by CGSACS for implementation of various components of the programme during 2010-15 for want of manpower.

### 2.8.7.2 Target and Achievement

As per the instructions of NACO, all the State AIDS Control Societies should prepare an Annual Action Plan (AAP) which would contain Annual targets under the different components and get it approved from NACO.

Scrutiny of records revealed that there were huge gaps between the targets and its actual achievements as detailed in **Table-2.8.2**:

**Table 2.8.2: Details of target and achievement for the period 2010-15**

Year	ART linkage		HIV Testing		STI Services		Blood collection (In units)	
	Target	Ach.	Target	Ach.	Target	Ach.	Target	Ach.
2010-11	2000	2215	210000	128200	37724	8073	45000	44509
2011-12	2000	2442	280000	179328	75448	13926	65000	51109
2012-13	3500	2776	330000	217033	76544	16094	65000	59332
2013-14	4500	2423	425000	277941	99224	30517	75000	61088
2014-15	1500	2322	435000	323265	99224	38835	82500	80303
<b>Total</b>	<b>13500</b>	<b>12178</b>	<b>1680000</b>	<b>1125767</b>	<b>388164</b>	<b>107445</b>	<b>332500</b>	<b>296341</b>
<b>Shortfall (Per cent)</b>	<b>1322 (10)</b>		<b>554233 (33)</b>		<b>280719 (72)</b>		<b>36159 (11)</b>	

(Source: Data provided by CGSACS and compiled by audit) Ach.=Achievement

From the above table, it could be seen that there was substantial gap in the achievements against the targets in case of STI services, HIV tests, linkages to ARTs and blood collection units during 2010-15. Shortfall in these vital services ranged from 10 to 72 *per cent*. Although the targets fixed for HIV testing, STI services (except 2014-15) and blood collection showed an increasing trend, the targets for ART linkage 2014-15 had been reduced. This was despite the fact that upto 2013-14 HIV positive in the State had been consistently increasing from 2171 in 2010-11 to 3064 in 2013-14. This indicated that the targets fixed were not realistic.

While accepting the audit observations Government stated (October 2015) that the HIV patients did not register themselves at ART due to fear of leakage of secrecy of their disease. The CGSACS would request the NACO to modify the targets. The deficiencies in preparation of AAP would be rectified.

Fact remains that there was shortfall in the achievements due to unrealistic targets.

We recommend that the Government may prepare realistic plan for various activities after taking into account the data from NACO and its past performance.

### **2.8.7.3 Care, Support and Treatment (CST)**

The main aim of CST component of NACP was to provide comprehensive services to PLHIV by providing free Anti-Retroviral Therapy (ART), psychosocial support, prevention and treatment of Opportunistic Infection (OI). CST services are provided through ART centres. ART centres were set up based on prevalence of HIV in the district/region. Link-ARTs were also established mainly at ICTCs in the district/sub district level hospitals and linked to a Nodal ART centre within accessible distance. All ART centres were provided with Anti Retro-viral (ARV) drugs and CD-4 kits (for testing) by CGSACS which were supplied by NACO. All centres were required to ensure that they had a minimum stock of three months at their centre.

There are five ARTs and two Link-ART centres established in the State for covering the entire State. With reference to functioning of ART centre, following irregularities/shortcomings were noticed during the course of audit:

#### **(i) Status of patients registered and services given at ARTs**

- According to information provided by CGSACS, total HIV cases reported by ICTC (2003 to March 2015) were 20511 out of which 15235<sup>6</sup> were registered in ART centres. Out of 15235 registered cases, 2258 deaths were reported and Lost to Follow-up (LFU) cases were 2736. Further, out of remaining 10241 cases, 6991 cases were on ART, 3175 cases on pre-ART and 75 cases were stopped/opted out.
- During the scrutiny of stock registers of four ART centres, we observed that various ARV medicines were out of stock in Bastar for one to 24 days, in Bilaspur for 60 to 90 days, in Durg from one to 98 days and in Raipur for 30 to 270 days during 2010-15.
- We further observed that CD-4 testing kits were not available up to 60 days at ART Raipur and 10 to 76 days in Bilaspur. As these were high HIV prevalent districts of the State, lack of ART kits may impact effective delivery of service.

Government while confirming the audit observation had stated (October 2015) that this was due to short supply of medicines and CD-4 kits from NACO.

Short supply of medicines and CD-4 kits indicated deficiencies in implementation of the programme.

<sup>6</sup> 15235 were registered since ARTs formation (2007).

#### **2.8.7.4 Integrated Counselling and Testing Services**

NACP is offering HIV counselling and testing services with a goal to identify PLHIV as early as possible and linking them appropriately and in timely manner for prevention, care and treatment services. These services are provided under Integrated Counselling and Testing Centres (ICTCs), Prevention of Parents to Child Transmission (PPTCT) and HIV-TB (Tuberculosis) Co-ordination.

##### **(i) Non-linking of HIV positives to ARTs**

The ICTCs should ensure that all the patients detected as HIV positive at ICTC get registered and linked at the ART centers.

During scrutiny of records of ICTCs and ARTs, it was observed that total number of HIV positive patients detected was 14,053 during 2010-15. Out of this, only 12,178 patients were registered at ARTs and remaining 1,875 were not linked with any ARTs due to non-tracking of PLHIV from time to time. This deprived the PLHIV of the services from ARTs.

Government while agreeing (October 2015) to the observation stated that HIV patients could not be linked with ART due to fear of exposure of their disease to public.

Fact remains that 1875 PLHIV were deprived of the services from ARTs.

##### **(ii) Targets and Achievements at ICTCs**

Year-wise targets were set for detection of HIV among general population and pregnant women. The status of testings is detailed in **Appendix 2.8.2**.

During 2010-15, targets set for testing of general population and pregnant women could not be achieved. In ICTCs, 59-89 *per cent* of HIV tests were conducted on general population and 50-63 *per cent* tests were conducted on Ante-natal Care (ANC). The overall short fall ranged from 11 to 41 *per cent* in respect of general population and 37-50 *per cent* in respect of ANC.

##### **(iii) Availability of Physical infrastructure and Human Resource**

As envisaged in the guidelines highest standards of quality were to be maintained by ICTCs in respect of services provided by them. Further, minimum standards were defined for physical infrastructure, test kits consumables, PPTCT services and blood collection centres. In this regard, the status of availability of facilities in 32 test checked ICTCs of five sample districts are detailed below.

- One Counsellor and one lab technician (LT) were sanctioned for ICTC. As per information furnished to audit for the period 2011-15, nine to 33 *per cent* of LT and eight to 18 *per cent* posts of counsellor were lying vacant (**Appendix 2.8.3**).
- In 32 test checked ICTCs, it was observed that in seven centres, no specified room for blood testing was available, five centres lacked refrigerator for safeguarding the testing kits and medicines and in six centres, no needle destroyer



was available. For PPTCT services, it was noticed that infantometer was not available in any of the test checked ICTCs.

Government stated that all vacancies would be filled up urgently. However, Government did not give any reply to address the shortage of physical infrastructure.

### **2.8.7.5 Blood Safety services**

NACP is primarily mandated to make provision of safe and quality blood for healthcare with aim to wipe off the scarcity of blood and other blood component by encouraging regular Voluntary Blood Donations (VBD). In Chhattisgarh State there were 16 NACO supported Blood Banks out of which 13 blood banks were running without renewal of their licence from two to nine years from Controller of Drugs Administration.

Under this component an amount of ₹ 7.30 crore was earmarked against which only ₹ 3.50 crore was utilized. The following shortcomings were noticed in audit:

#### **(i) Supply of blood without conducting screening tests at blood bank**

The main functions of the blood bank are to provide safe blood to all required patients. An integrated strategy for blood collection include collection from voluntary, non-remunerated blood donors, and screening of all transfusion related transmitted infections and reduction of unnecessary transfusions.

Scrutiny of records at blood bank, Jagdalpur revealed that screening tests for HIV, HBsAg, HCV, VDRL and Malaria tests were not conducted on the 108 units of blood<sup>7</sup> collected through blood donation camps during 2010-11 and 2014-15. Further, the ELISA tests, Blood component tests like Plasma, RBC and platelets were also not conducted on these blood units despite availability of machinery, testing kits and staff. It was noticed that the unscreened blood was issued to 20 patients.

On this being pointed out, Government stated that the matter was being viewed seriously and also stated that an enquiry has been initiated.

#### **(ii) Under-utilization of Blood Mobile Van**

As per guidelines of NACO, Blood mobile van (Van) should run for 300 days in a year to collect 45,000 blood units.

We however observed that the van was not optimally utilized as per the norms. Only 324 (27 per cent) blood camps were conducted against 1200 and 16,831 units (35 per cent) of blood was collected against the target of 48,600 blood units by Pt. Jawaharlal Nehru Medical College, Raipur during 2011-15. Thus, 876 camps were not conducted despite availability of all sources. This explains the poor monitoring and utilisation of blood mobile van by CGSACS.

Government ensured that more efforts would be done to achieve the targets.

<sup>7</sup> 2010-11: blood bag no 173/4299 to 179/4305 and 187/4313 to 215/4341 and in 2014-15: blood bag no. 143 to 172 and 200 to 241.

### **(iii) Availability of Infrastructure and Human Resource**

As per guidelines, one counsellor and one lab technician were to be provided by NACO in blood banks supported by NACO. We however noticed that against the requirement of 16 lab technicians, 14 were in position and two posts were lying vacant. Likewise, three out of 16 posts of counsellor for blood banks were also lying vacant.

We recommend that the Government should ensure that all screening tests are conducted on all blood units collected at blood bank before their issue to patients.

#### **2.8.7.6 STI/RTI Control Prevention**

Sexually Transmitted Infections (STI) and Reproductive Tract Infection (RTI) enhances chances of acquiring and transmitting HIV infection manifold. Hence, Control and prevention of STI/RTI was one of the key prevention strategies for HIV. Under this component, availability of testing and treatment service along with trained man-power, essential drugs and infrastructure was to be ensured. During the period 2010-15, against the available fund of ₹ 2.86 crore only ₹ 1.97 crore could be utilized. The deficiencies noticed were as below.

- According to guidelines, all STI clinics have to maintain adequate stock of STI/RTI pre-packed kits (Kit nos.1 to 7) and three month stock of all kits and drugs should be maintained at all times. We observed that the required drugs were not available either at state level or in STI clinics in the test checked districts. NACO supplied 79,116 kits against the total demand of 2,09,919 kits during 2010-15. Short supply of 1,30,803 kits prevented CGSACS to supply these to STI clinics in the districts as well as at TIs.
- It was also observed that in eight out of 32 STI clinics, the post of Counsellor was vacant. This adversely affected the functioning of CGSACS to discharge its mandated obligations.

#### **2.8.7.7 Selection and performance of TIs/NGOs**

The main objective of TI was to improve health-seeking behaviour of HRGs and reduce their risk of acquiring STI and HIV infection. TI for HRGs include Female Sex Workers (FSW), Men who have Sex with Men (MSM), Transgender (TG), Injecting Drug Users (IDU) and bridge population.

##### **(i) Selection procedure**

As per the guidelines, the Technical Advisory Committee<sup>8</sup> (TAC) will carry out a desk review of all applications received from TI/NGOs and will screen them. The Joint Appraisal Teams<sup>9</sup> (JAT) visits the shortlisted TI/NGOs to verify their existence. After verification, it would submit a report to the TAC.

On the basis of TAC report, the short-listed agencies will be provided a grant of a maximum amount of ₹ one lakh by SACS for conducting the mapping and needs assessment.

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<sup>8</sup> TAC reviews the empanelment and scrutiny of overall performance of the NGOs.

<sup>9</sup> JAT verifies the documents and appraise to NGOs after scrutiny by TAC.

As per the guidelines of TI/NGOs, various services like Behaviour Change Communication (BCC), Regular Medical Check-ups (RMC), linkages of HIV positives to ARTs, HIV and syphilis testing of HRGs and bridge population (Truckers and Migrants), distribution of condoms, Syringe and needle distribution and lube services were to be provided. There were 45 TI/NGOs working as on 31 March 2015 out of which records of TI services delivered by 15 NGOs were test checked in five selected districts.

Against the available fund of ₹ 41.49 crore for TI component, only ₹ 21.46 crore was utilized during the year 2010-15. Scrutiny of records revealed that:

- The non performing TIs were to be terminated and new empanelled TIs were to be replaced in place of terminated TIs. It was observed that during the period 2010-15, the CGSACS terminated 24 TIs. Out of this, 16 TIs were replaced within one year while remaining eight TIs were not replaced. This resulted in 2450 HRG individuals of core population and 20,000 bridge population deprived of the services of STI, HIV and syphilis testing.

While accepting the observation, Government stated (October 2015) that due to inadequacy of funds TIs could not be replaced.

Reply of the Government was not acceptable because the NGOs were not replaced despite availability of adequate funds.

#### **(ii) Performance of TIs**

As per the NACO guidelines, maximum coverage and uptake of services by HRGs should be ensured. Scrutiny revealed that although the registered HRGs in the State had been getting regular services by the NGOs, 1685 line listed<sup>10</sup>HRG individuals in test checked districts did not get any services from the NGOs. Since the line listed HRGs were of equal risk as registered HRGs, absence of services may potentially impact the success of the programme.

In reply, Government did not state the reasons for not providing the services to 1685 HRGs.

As per guidelines HIV and syphilis testing was to be conducted on all registered HRGs by NGOs in every six months. Test check revealed that 10 NGOs did not cover all HRGs for HIV and syphilis testings. The shortfall in conducting HIV test ranged from 18-51 *per cent* and in syphilis test, it ranged from 28-98 *per cent* during 2010-15 as shown in **Appendix 2.8.4**. Since screening HRGs was a major means of detecting HIV cases, shortfall in screening reflects poor performance of the NGOs.

While accepting the observation Government stated (October 2015) that due to short supply of testing kits from NACO, HIV and syphilis tests could not be conducted on HRGs.

<sup>10</sup> The HRGs who are awaited for registration at TI/NGOs are known as line listed HRGs. They will get the services after their registration at TI/NGOs.

- As per the guidelines of TI/NGO, the lubes<sup>11</sup> were to be distributed to individuals who are active in MSM practice. We observed in test checked districts of Bastar, Durg and Raipur that ₹ 0.78 lakh was incurred against the allotment of ₹ 2.59 lakh for purchase and distribution of lubes for safe sex during 2010-15. However, due to very meagre purchase and that too only during 2014-15, the targeted HRGs could not be distributed lubes for safe sex.

Government however stated that lubes were purchased and distributed to beneficiaries during the year 2015-16. The reply corroborates the audit findings.

### **(iii) Drop out of staff**

In TI/NGOs, staff who were recruited for rendering services and provided trainings had left the jobs within one year.

We observed that 184 staff of the TIs/NGOs had left the job within a year of their appointment. In test checked TI/NGOs, 76 persons left the jobs within one year of their appointment. This resulted in many NGOs functioning with inexperienced/new staff.

Government stated (October 2015) that the policy would be developed to retain the trained staff of TIs for a longer period.

We recommend that general screening for HIV and syphilis should be closely monitored and performance of NGOs must be monitored periodically so that maximum population within the HRG is covered. All left out HIV positive patients must be linked with the ART centres.

### **2.8.7.8 Information, Education and Communication (IEC) Activities**

Communication is a cross-cutting and integral part of all the components of NACP and intended to motivate behavior change in a cross-section of identified population at risk, such as High Risk Groups (FSWs, IDUs and MSM) and Bridge Populations (clients of sex workers, migrants and truck drivers) through publicity, folk troupes, hoardings at hot-spots and public places and awareness programmes for youth. Audit observed the following irregularities.

- During years 2010-11, 2012-13 and 2013-14, no expenditure was incurred on hoardings at strategic locations, but full achievement was intimated to NACO. In 2014-15 only 57 rented hoardings were installed against the target of 90, but in the annual achievement report, it was shown as 90.
- In the year 2010-11, neither any expenditure was incurred nor was any programme conducted involving folk troupes whereas achievement of 750 number of performances was shown against the target of 240.
- We noticed that CGSACS released fund of ₹ 39.53 lakh to DACS of Bastar, Bilaspur, Durg, Raigarh and Raipur for organising folk troupe dance, celebrating voluntary/world blood donation days and conducting mainstreaming training under IEC for rural areas. The funds provided to DACS could not be utilized and were either retained with DACS or refunded to CGSACS without conducting any programme during 2010-15 (**Appendix 2.8.5**).

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<sup>11</sup> Sachets of water based lubricants.

- We also observed that ₹ 60.20 lakh was allotted by NACO during 2010-15 for creation and promotion of Red Ribbon Clubs(RRCs) with an aim to reduce new HIV infection among the youth by raising their risk perception through proper education on sex and sexuality and HIV/AIDS. Despite availability of funds, no expenditure was incurred and the funds remained unutilized. Thus, the intended services to youth were not provided and the youth could neither get the self-awareness programmes nor were they able to promote it to others.

While accepting the observation Government stated (October 2015) that from year 2015-16, IEC policy would be changed and printing, publicity and their selection would be monitored at state level. Strategic plan would be developed to conduct IEC and mainstreaming programmes in a time bound manner and the RRCs would be started.

We recommend that the IEC activities prescribed to promote awareness and to bring HRGs under closer surveillance may invariably be carried out.

### 2.8.8 Monitoring and Evaluation

As envisaged in para 15.7 of NACP–III guidelines, external programme evaluations were to be undertaken at mid-term and at the end of the programme. These were to take place at the National, State and District levels.

During the period of NACP-III (2007-12), total expenditure of ₹ 40.55 crore was incurred in the State against the approved action plan of ₹ 67.20 crore. Though NACP-IV superseded (March 2012) NACP-III, no mid-term or end-term evaluation was carried out.

According to guidelines a State Council on AIDS (SCA) was to be constituted headed by Chief Minister with other representatives of various departments and civil society. However, no SCA was formed.

### 2.8.9 Conclusion and Recommendations

Chhattisgarh State AIDS Control Society is responsible for conducting programmes like HIV, syphilis testings, STI and blood services, linking of HIV positives to ARTs for providing required medicines. It also provides services like distribution of condoms, syringes, lubes through TIs.

- Although the targets fixed for STI services, HIV tests, linkages to ARTs and blood collection showed an increasing trend (except 2014-15) trend, the targets for ART linkages in 2014-15 had been reduced. Thus CGSACS had prepared annual plans in a perfunctory manner and did not monitor the execution of the activities under the scheme. The CGSACS could not achieve the targets as per annual action plans during 2010-15.

We recommend that the Government may prepare realistic plan for various activities after taking into account the data from NACO and its past performance.

- Against the approved annual action plans funds worth ₹ 108.51 crore were sanctioned (2010-15) by Government of India (GoI) for CGSACS. Due to under-utilisation of funds, only ₹ 75.36 crore was released. Thus, poor spending efficiency resulted in non-receipt of ₹ 33.15 crore from GoI. Even from the

available funds, the utilisation ranged from 52 to 75 per cent during 2010-15 due to shortage of staff at State and district level.

We recommend that necessary steps should be taken by the CGSACS to fill up the vacant posts at the earliest and utilise the sanctioned funds to achieve the objective of the programme.

- The main functions of the blood banks are to provide safe blood to all required patients. Screening tests like HIV, syphilis and Malaria tests were however, not conducted on 108 units of blood of which 20 units of un-screened blood were issued to patients at blood bank, Jagdalpur due to which transfusion related infections cannot be ruled out.

We recommend that the Government should ensure that all screening tests are conducted on all blood units collected at blood bank before their issue to patients.

HIV and syphilis testing was to be conducted on all registered HRGs by NGOs once in every six months. 10 NGOs did not cover all HRGs for HIV and syphilis testings and shortfall in conducting HIV test ranged from 18-51 per cent and in syphilis test, it ranged from 28-98 per cent during 2010-15

We recommend that general screening for HIV and syphilis should be closely monitored and performance of NGOs must be monitored periodically so that maximum population within the HRG is covered.

- CGSACS failed to create awareness through IEC activities about AIDS in the state. The DACS did not execute IEC and mainstreaming programmes in test checked districts. Due to non-functioning of RRC, the youth could not get themselves self-aware and were unable to promote it to others.

We recommend that the IEC activities prescribed to promote awareness and to bring HRGs under closer surveillance may invariably be carried out.

## AGRICULTURE DEPARTMENT

### 2.9 Weather Based Crop Insurance Scheme

#### 2.9.1 Introduction

A Weather Based Crop Insurance Scheme (WBCIS) was piloted across India by Government of India (GoI) from *Kharif* season 2007 to provide crop insurance protection to the cultivators against adverse weather incidences such as deficit rainfall, dry days and excess rainfall for *Kharif* crop and heat, humidity, frost etc. which adversely impact the *Rabi* crops during its cultivation period.

Under the scheme, all farmers growing the notified crops in the notified areas were eligible for coverage. Though farmers availing agricultural loans from Financial Institutions (*i.e.* loanee farmers) for cultivating the notified crops were covered on compulsory basis, other farmers who had not availed such loans (*i.e.* non-loanee farmers) were covered on optional basis only.

Since 2010, the scheme was implemented in Chhattisgarh for *Kharif* 2010-11, *Rabi* (2010-11 to 2013-14) and *Kharif* 2014 by Insurance Companies. Government of Chhattisgarh (GoCG) selected Insurance Companies empanelled by GoI and issued notifications along with instructions for implementation of the scheme. The State Level Coordination Committee on Crop Insurance (SLCCCI) of Agriculture Department of Chhattisgarh was responsible to review and monitor the overall implementation of the scheme.

GoCG contributes its share towards premium to the Insurance Companies and GoI releases its contribution directly to the Insurance Companies. Claim amount was paid to the nodal banks by Insurance Companies which was distributed to the lending branches for crediting in the farmers account.

During 2010-15, the scheme was implemented in the State as follows:

**Table- 2.9.1: Districts in which the scheme was implemented**

Year	Season	Name of District
2010-11	<i>Kharif</i>	Bilaspur, Durg, Raipur, Rajnandgaon and Surguja
2010-11	<i>Rabi</i>	Dhamtari, Durg, Kabirdham and Rajnandgaon
2011-12	<i>Rabi</i>	Bilaspur, Durg, Kabirdham, Raipur, Rajnandgaon and Surguja
2012-13	<i>Rabi</i>	Balod, Balodabazar, Balrampur, Bemetara, Bilaspur, Durg, Gariaband, Kabirdham, Mungeli, Raipur, Rajnandgaon, Surajpur and Surguja
2013-14	<i>Rabi</i>	Balod, Balodabazar, Balrampur, Bemetara, Bilaspur, Durg, Gariaband, Kabirdham, Mungeli, Raipur, Rajnandgaon, Surajpur and Surguja
2014-15	<i>Kharif</i>	All 27 districts

#### 2.9.2 Organisational set-up

The Agriculture Department (Department) is the nodal department to implement the scheme in the State. The Department is headed by Additional Chief Secretary (ACS) at Government level. The Director of Agriculture (DoA) is the functional head of the Department. The DoA is assisted by Joint/Deputy Director at district level and Sub-divisional Officer (Agriculture) at Block Level.

### 2.9.3 Audit objectives

Audit objectives were to assess whether:

- all the loanee farmers were covered under the scheme and non-loanee farmers were motivated for joining the scheme;
- adequate system and procedures existed for receipt, evaluation and timely settlement of claims and the selection of insurers was transparent and sufficient;
- the claims were based on calculation as per norms of actual adverse impact of weather and payment of claims were made to all eligible farmers in prescribed time frame; and
- grievance redressal and monitoring mechanism was put in place for achievement of scheme objectives.

### 2.9.4 Audit criteria

Audit criteria were sourced from:

- Operational guidelines of the scheme; and
- Notifications and instructions issued by the GoI and GoCG from time to time.

### 2.9.5 Audit scope and methodology

The audit was conducted during May-August 2015 for the period 2010-15. The Directorate of Agriculture and seven out of 27 districts which were selected using simple random sampling without replacement method were covered under the audit. Five Insurance Companies, two nodal Banks and two lending branches of each nodal Bank were selected in the test checked districts. The details of selected districts, Insurance Companies, nodal and lending Banks are shown in **Appendix-2.9.1**. An entry conference was held in May 2015 with the ACS, Agriculture Department wherein the audit objectives, scope and methodology were discussed. An Exit Conference was held (October 2015) with the ACS to discuss the audit findings. The replies of the ACS have been incorporated in the report at appropriate places.

### 2.9.6 Selection of Insurance Companies

As per clause 8.3.1 of operational guidelines (OG) of the scheme, Insurance Companies were to be selected through a transparent process, strictly on the basis of experience, relevance of their insurance product and the overall benefits of the product, premium rate, existence of infrastructure etc.

During scrutiny of records of DoA, it was observed that the department had followed the provisions of the guidelines for selection of Insurance Companies under the scheme. The Insurance Companies submitted their insurance products along with premium rates for the respective districts to DoA. The technical committee of DoA analysed the products and recommended the beneficial products. On the basis of recommendations of the Committee, GoCG had selected the eight Insurance Companies for implementation of the scheme during 2010-15.



## 2.9.7 Financial Management

The details of premium collected and claim paid to the farmers for *Kharif* (2010 and 2014) and *Rabi* (2010-14) were as follows:

**Table-2.9.2: Statement showing collection of premium and claim paid to farmers**

(₹ in crore)

Year	Season	No. of insured farmers	contribution towards premium				No. of benefited farmers	Claim amount paid
			GoCG <sup>1</sup>	GoI <sup>2</sup>	Farmers <sup>3</sup>	Total contribution		
2010-11	<i>Kharif</i>	868	0.11	0.11	0.08	0.30	551	0.06
2010-11	<i>Rabi</i>	1045	0.13	0.13	0.08	0.34	714	0.13
2011-12	<i>Rabi</i>	86443	9.20	9.20	5.82	24.22	86443	47.57
2012-13	<i>Rabi</i>	108382	11.57	11.57	7.64	30.78	61714	12.85
2013-14	<i>Rabi</i>	98415	14.82	5.38	6.69	26.89	98415	73.30
2014-15	<i>Kharif</i>	974199	83.71	83.71	167.56	334.98	595175	186.08
<b>Total</b>		<b>1269352</b>	<b>119.54</b>	<b>110.10</b>	<b>187.87</b>	<b>417.51</b>	<b>843012</b>	<b>319.99</b>

(Source: Information provided by department and compiled by audit)

It could be seen from the Table-2.9.2 that number of farmers insured in the year 2010-11 was very low due to delay in issue of notification and coverage of scheme in only seven districts. The coverage of farmers increased during 2011-12 and 2012-13. However, it decreased in 2013-14 by 9.20 per cent in comparison to 2012-13. As the scheme was implemented in all the districts during 2014-15, the coverage of farmers also increased to 9.74 lakh.

## 2.9.8 Notification by State Government

As per OG of the scheme, for *Kharif* 2010, the notification for implementation of the scheme was to be issued in March 2010 by the GoCG to cover the risk period for this season beginning from 10 July to 30 November 2010. However, it was observed that the notification was issued by GoCG on 30 June 2010 only. Similarly, for *Kharif* 2014, the notification was to be issued one month before commencement of risk period (1 July to 30 September 2014) but the notification was issued on 30 June 2014 only. The delay in issuance of notification by GoCG provided only one day to farmers in 2014 to join the crop insurance scheme.

The Government stated (November 2015) that delay in notification was due to various processes involved in finalisation of proposal for *Kharif* 2014.

Reply was not acceptable as adequate time would have enabled farmers for coverage under the scheme.

Effective steps should be taken by GoCG to issue timely notifications for providing adequate time to farmers for maximum coverage under the scheme.

## 2.9.9 Selection of areas and crops

As per clause 8.1 of the OG, the State Government was required to form a Technical Committee<sup>4</sup> for selection of crops, areas and weather triggers and a meeting of the SLCCCI should be convened for the purpose. Further,

<sup>1</sup> 37.5 per cent for the each year of 2010-13, 55 per cent for 2013-14 and 25 per cent for 2014-15.

<sup>2</sup> 37.5 per cent for the each year of 2010-13, 20 per cent for 2013-14 and 25 per cent for 2014-15.

<sup>3</sup> 25 per cent for the each year of 2010-14 and 50 per cent for 2014-15.

<sup>4</sup> A committee constituted by GoCG for the purpose of checking of products submitted by the Insurance Companies and to recommend Insurance Company for implementing the scheme.

*Panchayati Raj* Institutions (PRI) should also be involved in selection of the crops.

During scrutiny of records it was observed that SLCCCI was established only in April 2014 and till that time, Technical Committee had been doing selection of crops, areas, weather triggers etc. It was noticed that *Panchayati Raj* Institutions (PRI) had not been involved in selection of the crops.

Government accepted the audit observation in the exit conference and stated that necessary instructions would be issued.

Fact remains that involvement of *Panchayati Raj* Institutions in the selection of crops was not ensured.

### 2.9.10 Risk Period

As per clause 7.1 of the OG, the SLCCCI was required to notify the risk period before its commencement based on duration of the crop, weather parameters etc. During scrutiny of records of DoA, it was observed that the department had notified *Kharif* periods in two years for 2010 and 2014. The SLCCCI had notified the risk period from 10 July to 30 November 2010 for *Kharif* 2010 and 1 July to 30 September for *Kharif* 2014. In October 2014, the notified crops were affected by *Hudhud* cyclone in nine districts of the State covering 10609.15 hectare of land of 17253 farmers (**Appendix-2.9.2**). Due to non-coverage of the month of October for the risk period for *Kharif* 2014, 17253 farmers could not be covered under the benefit of WBCIS.

The Government stated (November 2015) that period for *Kharif* season is from July to September and the risk period was fixed accordingly.

Reply was not acceptable as the risk period for *Kharif* 2010 was declared up to the month of November 2010. Moreover, the risk period was to be declared based on the maturity period of crop which was for 90 to 145 days. Had the coverage for *Kharif* 2014 been extended up to the month of November 2014, it would have enabled 17253 farmers to avail the compensation for damages.

The risk period should be notified on the basis of actual crop season based on maturity of crops so that the protection under scheme could be gainfully extended to all the farmers.

### 2.9.11 Coverage of farmers under scheme

As per agriculture census conducted in 2010-11 by GoCG, the number of all categories of farmers was 37.47 lakh. The year wise coverage of farmers under the WBCIS *vis-à-vis* total farmers in the districts wherein the scheme had been implemented during 2010-15 was as follows:

**Table- 2.9.3: Statement showing coverage of farmers in scheme implemented districts**

Year	Total no. of farmers in the scheme implemented districts as per agriculture census	No. of farmers covered under scheme		Total	Percentage of farmers covered
		Loanee	Non-loanee		
2010-11	2165369	0	1913	1913	0.09
2011-12	2160875	79713	6730	86443	4.00
2012-13	2160875	104279	4103	108382	5.02
2013-14	2160875	96882	1533	98415	4.55
2014-15	3746480	964456	9743	974199	26.00
<b>Total</b>		<b>1245330</b>	<b>24022</b>	<b>1269352</b>	

(Source: Information provided by department and compiled by audit)

It could be seen that only 0.09 to 26.00 *per cent* of farmers were insured under the scheme during 2010-15. Barring 2014-15 where 26 *per cent* of the farmers were covered, in other years the coverage was low (between 0.09 and 5.02 *per cent*). The department did not have any data regarding all loanee/non-loanee farmers and left the scheme entirely to the Banks sanctioning the loans.

In respect of the selected districts, it was noticed that 4.45 lakh farmers out of 9.78 lakh were insured for different crop seasons under the scheme. Out of these, 4.39 lakh (98.80 *per cent*) were loanee farmers while only 5349 (1.20 *per cent*) were non-loanee farmers as detailed in **Appendix-2.9.3**. The reasons for less coverage of non-loanee farmers were mainly due to lack of awareness and inadequate Information, Education and Communication (IEC) activities on the part of the Insurance Companies and the department.

Thus, the department as well as the Insurance Companies failed to cover the maximum number of non-loanee farmers under the scheme.

The Government stated (November 2015) that the scheme was implemented on pilot basis in 2010-11 for non loanee farmers and implemented during 2011-12 to 2013-14 for *Rabi* season only. Therefore, the coverage of farmers was low.

Fact remains that there was short coverage of non-loanee farmers under the scheme.

Effective steps should be taken by GoCG for maximum coverage of farmers under the scheme.

### **2.9.12 Non coverage of loanee farmers**

As per Para 5.3 of OG of the scheme, all farmers availing seasonal agricultural operational loans from Banks for the notified<sup>5</sup>crop(s) were to be covered on compulsory basis.

a) During scrutiny of records and information provided by District Cooperative Central Bank (DCCB) Bilaspur (Branch-Lormi and Sargaon) and DCCB Ambikapur (Branch-Ambikapur, Batauli, Dhaurpur, Lakhanpur and Sitapur), it was noticed that 5492 farmers availed seasonal agriculture operational loans amounting to ₹ 12.63 crore for *Rabi* season 2012-13 and 2013-14. However, DCCBs did not send the proposals in respect of these farmers to insurance company for coverage under WBCIS. This resulted in these farmers being deprived of claims for *Rabi* season 2013-14 as detailed in **Appendix-2.9.4**.

On this being pointed during audit, Government stated (November 2015) that Lormi and Sargaon branches under DCCB Bilaspur had sanctioned agriculture loan for paddy which was not a notified crop under *Rabi* season 2012-14. Thus, these farmers were not covered under the scheme. It was further stated that in respect of DCCB Ambikapur, due to non-sending of proposals of farmers by the Branches to nodal Bank (DCCB Ambikapur) these farmers could not be covered under the scheme.

Reply of DCCB, Bilaspur was not acceptable as no records confirming cultivation of paddy during *Rabi* season 2012-14 were furnished to audit.

<sup>5</sup> Notified crops are those crops which are notified by the State Government for coverage under the scheme.

b) During scrutiny of records and information provided by State Bank of India (SBI), Branch-Temri, Tehsil- Nawagarh of district-Bemetara, it was noticed that the Bank had deducted (August 2014) insurance premium of ₹ 5,76,744 from the accounts of 164 farmers for *Kharif* 2014 but the branch did not send their proposals along with premium amount to the insurance company for coverage of farmers under the scheme.

On this being pointed during audit, Government forwarded (November 2015) the reply of the Bank's Regional Manager wherein the audit observations were accepted and it was intimated that the then Branch Manager had since been suspended and instructions have been issued to lodge an FIR.

Fact remains that 164 farmers were deprived of the benefits under the scheme.

### **2.9.13 Delay in payment of claims totaling ₹ 12.12 crore to farmers**

According to Para 24.2 of OG of the scheme, after receiving the claim amount from the concerned insurance company, the financial institutions/banks should credit the same into the account of beneficiary farmers within seven days.

During the scrutiny of records and information provided by Insurance Companies, nodal Banks and lending Banks, it was noticed that in 23 out of 28 test checked lending Banks and five<sup>6</sup> non-selected lending Banks, claim amount totaling ₹12.12 crore were paid to 24018 farmers with delay ranging from eight-756 days (**Appendix-2.9.5**) during *Rabi* season of 2011-14 and *Kharif* 2014. Out of these, ₹ 1.77 lakh<sup>7</sup> had been paid to 126 insured farmers with a delay of more than one year by three lending Banks for *Rabi* 2012-13. Further, in respect five branches of SBI, four branches of DCCB Ambikapur and *Chhattisgarh Rajya Gramin Bank* Ambikapur, the claim amounts of ₹ 15.44 lakh<sup>8</sup> were paid to 596 farmers for *Kharif* 2014 only after being pointed out by audit, likewise ₹ 1.02 lakh were paid to 16 farmers by SBI Kumhari for *Rabi* 2013-14 at the instance of audit findings.

The Government stated (November 2015) that the reasons for delayed payment of claims were mainly due to delay in collection of society-wise information, calculation of Reference Weather Station wise claims, reconciliation between loan account of farmers and claim amounts and procurement of paddy at society level and realization of loans.

Reply was not acceptable as the scheme mandates the payment to be made within seven days considering all these factors to provide immediate relief to the farmers from crop loss.

We recommend the department to ensure timely payment of claims to farmers by adhering to the scheme guidelines.

<sup>6</sup> SBI ACB Durg, SBI Dhamdha, SBI Nandini Township, DCCB Ambikapur, Branch-Batauli, DCCB Ambikapur, Branch-Dhaurpur.

<sup>7</sup> SBI Lormi (66 farmers: ₹ 139513), DCCB Ambikapur, Branch-Ambikapur, Primary Agriculture Cooperative Society (PACS)-Mendrakala (23 farmers: ₹ 5658) and DCCB Ambikapur, Branch-Lakhanpur (PACS-Amera-37 farmers: ₹ 32210).

<sup>8</sup> SBI, ACB, Durg (1 farmer: ₹ 3227), SBI Bhilai-3 (4 farmers: ₹ 3895), SBI Dhamdha (124 farmers: ₹ 428407), SBI Kumhari (23 farmers: ₹ 24121), SBI Nandini Township (57 farmers: ₹ 93667), DCCB Ambikapur, Branch-Ambikapur (111 farmers: ₹ 243889), DCCB Ambikapur, Branch-Batauli (21 farmers: ₹ 46076), DCCB Ambikapur, Branch-Dhaurpur (45 farmers: ₹ 102036), DCCB Ambikapur, Branch-Lakhanpur (91 farmers: ₹ 449273) and CRGB Ambikapur (119 farmers: ₹ 148928)

### 2.9.14 Irregularities in payment of claims

We noticed irregularities in payment of claims which is discussed below:

#### 2.9.14.1 Irregularities in payment of claims in SBI Branch-Temri

##### a) Unauthorised payment of claims of ₹ 2.38 lakh

Scrutiny of records of SBI, Temri Branch revealed that the Bank had credited (September 2014) claims totaling ₹ 2.38 lakh in savings account of four account holders of same branch even though they were not insured for crop insurance during *Rabi* 2013-14 as detailed in **Appendix 2.9.6**. Thus, possibility of fraudulent payment in these cases also cannot be ruled out.

##### b) Excess payment of claims to farmers worth ₹ 5.42 lakh

During checking of records of SBI Temri Branch, it was noticed that the Branch had credited amount of ₹ 5,91,963 against the payable claim of ₹ 50,062 in the account of four farmers on 22.09.2014 under *Rabi* 2013-14 as detailed in **Appendix-2.9.7**. Thus, there was excess payment of ₹ 5,41,901 (₹ 591963 - ₹ 50062) which may be fraudulent in nature.

##### c) Less payment of claims to farmers for ₹ 5.41 lakh

During checking of records of SBI Temri Branch, it was noticed that for *Rabi* season 2013-14, against payable claim of ₹ 9.09 lakh in respect of 17 insured farmers, the branch had paid claims totaling ₹ 3.68 lakh. Thus, there was short payment of claims totaling ₹ 5.41 lakh (**Appendix-2.9.8**).

##### d) Non-payment of claims to insured farmers worth ₹ 1.72 lakh

During checking of records of SBI Temri Branch, it was noticed that for *Rabi* 2013-14, out of 246 insured farmers, 14 farmers were not paid claims totaling ₹ 1.72 lakh inspite of the fact that they were insured for *Rabi* 2013-14 with insured area of 40.77 hectare (**Appendix-2.9.9**).

##### e) Double payment of claims of ₹ 0.28 lakh to farmers due to deduction of premium twice

During checking of records of SBI Temri Branch, it was observed that for insurance coverage under *Rabi* 2013-14, the Branch had deducted premium twice in case of four farmers for the same insured area and for same crop (Gram) on 14.02.2014 and forwarded the same to insurance company. Consequently, at the time of crediting of claim amount in the account of farmers, the Bank had credited claims twice in account of the same four farmers on 22.09.2014 as detailed in **Appendix-2.9.10**. Thus, unauthorized payment of ₹ 0.28 lakh was credited in farmer's account.

This indicated that there was lack of monitoring of implementation of the scheme by the department which had resulted in unauthorised as well as suspected fraudulent and excess payment of claims.

On this being pointed out during audit, Government forwarded (November 2015) the reply of the Bank's Regional Manager wherein the audit observations were accepted and it was intimated that the then Branch Manager had since been suspended and instructions have been issued to lodge an FIR.

Fact remains that there was lack of monitoring by department in the implementation of the scheme.

Monitoring of payment may be conducted by the department to check for excess, unauthorised, less and non-payment of claims.

#### **2.9.14.2 Delay in payment of claims to farmers totalling ₹ 61.42 lakh**

During scrutiny of records and information provided by SBI Main Branch, Korba and DCCB Branch-Barpali, it was noticed that the nodal bank of SBI had transferred ₹ 6.55 lakh to the lending branches on 25.07.2015 while DCCB transferred ₹ 54.87 lakh to the lending branches on 25.03.2015 for payment of claims. However, as of November 2015, the amount of ₹ 61.42 lakh was not paid by the lending branches to 1183 farmers against the insured area of 2384.97 hectare during *Rabi* 2013-14 and *Kharif* 2014 (**Appendix-2.9.11**).

The Government stated (November 2015) that instructions have been given to the societies by the DCCB Branch-Barpali for crediting the claim amounts to farmer's accounts.

Fact remains that 1183 farmers were deprived of the benefits under the scheme.

#### **2.9.15 Publicity and Awareness**

As per Clause 20.1 of the OG, the Agriculture Department of the State in consultation with the Insurance Companies should work out appropriate plans for adequate awareness and publicity three months prior to the commencement of coverage period.

During scrutiny of records maintained at DoA and Insurance Companies, we observed that publicity and awareness activities were conducted during the review period by the Agriculture Department in consultation with the Insurance Companies. However, coverage of farmers under scheme was inadequate in comparison to the total farmers in State as discussed in Para No 2.9.11 of the Report.

#### **2.9.16 Capacity building of banks and State employees**

As per clause 20.2 and 23.2 of the OG, the State Government in consultation with the Insurance Companies should chalk out plans and organize training workshop/sensitization programme for the bank. The State Government was also required to send the names of Government Officials/ Farmer groups for specialised training to be imparted by GoI.

It was noticed that neither any training workshop/sensitization programme for the bank was organized nor the names of Government Officials/ Farmer groups were sent to GoI for specialised training.

The Government while accepting the audit observations stated (November 2015) that necessary action would be initiated in this regard.

Fact remains that department did not initiate action for capacity building of banks and State employees.

#### **2.9.17 Impact assessment and monitoring of the scheme**

As per clause 21.2 of the OG, the State Government may review the progress of the scheme periodically and undertake impact assessment after completion of each session and send its suggestion to GoI for making further

improvements in the scheme. As per clause 24 of OG, SLCCCI of the concerned State is responsible for monitoring of implementation of the scheme. Further, according to Clause 25.2 (x), the review and monitoring committee has to be setup at both State and District levels for periodical review (preferably monthly) of implementation of scheme and also to verify coverage etc. on random basis to ensure coverage under the scheme. Under clause 25.4 (ix), the Insurance Companies were required to provide monthly progress report/returns/statistics to the State Government on demand.

During scrutiny of records and information provided by DoA, it was revealed that:

- a) no impact assessment has been done by the Government after any crop season. However, the Insurance Companies had provided weather data on monthly basis to the Department. The Government stated (November 2015) that impact assessment of each session of crop would be conducted and necessary suggestions would be sent to the GoI.
- b) monitoring of the scheme was not carried out during 2010-15 either at the State level or at the District Level. Only verification of reference weather station for *Kharif* 2014 was done by the department.
- c) review and monitoring committee was neither formed at the State level nor at the District level while SLCCCI was formed only in April 2014. GoCG only disbursed the premium for the scheme and left everything to the Insurance Companies and the Banks. There was no control over the Insurance Companies and the Banks by the department for coverage of farmers and timely payment of claims.

Thus, due to lack of monitoring of the scheme at the various levels, serious irregularities *viz.* excess payment of claims to farmers, non payment of claims, non coverage of loanee farmers, less payment of claims, delay in payment of claims etc. have occurred.

The Government stated (November 2015) that monitoring committee was formed.

Reply was not acceptable as no evidence was found in the Department regarding constitution of monitoring committee.

Effective monitoring of implementation of the scheme should be conducted at various levels by the department to ensure coverage of farmers and actual claim payments to the farmers through control over the Insurance Companies and Banks.

### **2.9.18 Conclusion and Recommendations**

A Weather Based Crop Insurance Scheme (WBCIS) was implemented in Chhattisgarh for *Kharif* 2010-11, Rabi (2010-11 to 2013-14) and *Kharif* 2014 to provide crop insurance protection to the cultivator against adverse weather incidences such as deficit rainfall, dry days, excess rainfall, heat, humidity, frost etc.

- Against the prescribed time for issuance of notification by GoCG for implementation of scheme for each season, delays were noticed which resulted in less coverage of farmers in the scheme.

Effective steps should be taken by GoCG to issue timely notifications for providing adequate time to farmers for maximum coverage under the scheme.

- During *Kharif* 2014, instead of notifying the risk period as June to October 2014 (sowing to maturity of crop), the Department arbitrarily notified July to September 2014 as risk period thereby adversely affecting 17,253 farmers in *hudhud* affected areas.

The risk period should be notified on the basis of actual crop season based on maturity of crops so that the protection under scheme could be gainfully extended to all the farmers.

- Against the total number of farmers ranging from 21.61 lakh to 37.47 lakh in the scheme implemented districts, the coverage of farmers under the scheme was only 0.09 to 26.00 *per cent* during 2010-15.

Effective steps should be taken by GoCG for maximum coverage of farmers under the scheme.

- Though the Insurance claims were to be credited into the account of beneficiary farmers by Banks within seven days, it was however found that 23 branches of banks had paid claims to 24018 farmers with delay ranging from eight to 756 days during Rabi (2011-14) and *Kharif* 2014 which resulted in farmers not getting the benefits in due time.

We recommend the department to ensure timely payment of claims to farmers by adhering to the scheme guidelines.

- Review and monitoring committee was neither formed at the State level nor at the District level. Lack of monitoring of implementation of the scheme at the various levels resulted in excess payment of claims to farmers, non-payment of claims, less payment of claims, delay in payment of claims etc.

Effective monitoring of implementation of the scheme should be conducted at various levels by the department to ensure coverage of farmers and actual claim payments to the farmers through control over the Insurance Companies and Banks.



## GENERAL ADMINISTRATION DEPARTMENT

### 2.10 Implementation of Right to Public Services Legislation

#### 2.10.1 Introduction

The Government of Chhattisgarh enacted (October 2011) the ‘*Chhattisgarh Lok Sewa Guarantee Act, 2011* (CGLSGA)’ to ensure time bound delivery of 255 notified public services (*Lok Sewa*<sup>1</sup>) in 34 departments (**Appendix-2.10.1**) viz. issue of caste verification certificates, birth and death certificates, registration of marriage, issue and renewal of driving licence, ration card, copy of land records and water connection permission/orders etc. to the citizens by the State Government, Local Bodies, Public Authorities or Agencies which are owned, controlled or substantially financed by the Government. The Act also provides that every person shall have the right to obtain *Lok Sewa* in the State of Chhattisgarh within the stipulated time. The State Government also enacted Chhattisgarh *Lok Sewa Guarantee (Avedan, Appeal, tatha Parivyaya ka Bhugtan) Niyam* 2011 from 14 December 2011 to implement the Act in the State.

#### 2.10.2 Organisational set up

General Administration Department (GAD), Government of Chhattisgarh (GoCG) is the nodal department for implementing the Act in the State. GAD is responsible for notification of services covering various departments. It coordinates and monitors the effective implementation of the Act. The departments of the State implementing the Act are required to nominate a Designated Officer, Competent Officer and Appellate Authority. Each department shall designate a responsible officer for delivering *Lok Sewa* in prescribed time under Section 4(1) and the designated officer shall be responsible for necessary action on each application and for providing *Lok Sewa* to the applicant in stipulate time.

#### 2.10.3 Audit objectives

The audit was conducted to ascertain whether:

- institutional arrangements are adequate;
- all the essential public services were duly notified, applications were recorded and provisions made for delivery of services at decentralised levels within the stipulated period;
- penalties imposed for delay in services were being collected, accounted for and remitted to the government regularly; and
- monitoring/control mechanism and redressal of grievances were adequate and effective.

#### 2.10.4 Audit Criteria

The Audit criteria was derived from the following sources:

- The Chhattisgarh *Lok Sewa Guarantee Act* 2011 (Gazette No.23 of 2011)

<sup>1</sup> *Lok Sewa* means citizen related public services notified under the Act

- Chattisgarh Lok Sewa Guarantee (Avedan, Appeal tatha Parivayaya Ka Bhugtan) Niyam, 2011
- Notification, circulars, orders, instructions issued by the State Government and relevant records maintained by the Departments.

### 2.10.5 Audit Scope and methodology

Audit was conducted between May and August 2015 covering the period from 2011-12 to 2014-15. We selected eight out of 34 departments rendering 83 (**Appendix-2.10.2**) out of 255 notified services in five<sup>2</sup> test checked districts. Of the 83 services, we selected 26 services covering 31 per cent of services in the selected eight departments. The districts were selected on the basis of geographical area, maximum receipt of applications and delivery of bulk services. Out of the five districts, Raipur having the head office of all the monitoring departments was selected. Details of selected services are as given in **Table-2.10.1** below:

**Table-2.10.1: Table showing the selected Departments and services**

Sl	Name of Department	Name of the Services Selected
1.	Health and Family Welfare Department	1. Grant paid to beneficiary under <i>Janani Suraksha Yojna</i> 2. Issue of Permanent Disabled Certificate 3. Issue of medical fitness certificate 4. Renewal of licence/licences of sale/storage of medicine 5. Issue of licence for production/sale/store of edible food products
2.	Panchayat and Rural Development	1. Issuing of poverty line certificates 2. Registration of birth and death cases
3.	Finance Department	1. Issue of stamp paper after depositing of amount by staff vendor 2. Start of pension payment on receipt of P.P.O. in treasury 3. Verification of pay fixation cases 4. Re-inspection of pension cases 5. Disposal of application given by the pensioner
4.	Social and Welfare Department	1. Disabled scholarship 2. Reporting on eligibility loan for rehabilitation of disabled persons 3. Verification of complaint cases of pension 4. Approval of new pension application
5.	Commercial Tax Department	1. Issue of declaration Form 'C' and 'F' 2. Issue of Permanent Registration Certificate
6.	Transport Department	1. Issue and renewal of Driving Licence 2. Registration of non transport and transport vehicles
7.	Food, Civil Supplies and Consumer Protection Department	1. Sanctions of licence for trade under control order 2. BPL Ration Card (Urban and Rural) 3. Approval and renewal of Licences
8.	Environmental and Residential Department	1. Disposal/registration of houses/land 2. Permission for plot transfer 3. Receiving of no objection certificate for taking loan from financial organisation
<b>Total</b>		<b>26 (Twenty Six)</b>

Audit involved scrutiny of applications received for various notified services, acknowledgements given to the applicants, services delivered to the

<sup>2</sup> Raipur, Kabirdham, Korba, Kanker and Ambikapur.

applicants, maintenance of prescribed records and penalties imposed, if any, in respect of cases of non providing/delay in providing the services to the applicants.

An entry conference was held on 3 July 2015 with the Secretary, GAD, Government of Chhattisgarh (GoCG) to discuss the audit objectives, methodology and criteria. An exit conference was held (November 2015) with the Secretary to discuss the various issues raised by audit. The replies furnished by the Secretary during discussion have been incorporated in the report.

## **Audit Findings**

### **2.10.6 Financial Management**

During the period 2011-15, no separate budget was allotted by the GoCG to any of the departments for implementation of Chhattisgarh *Lok Sewa* Guarantee Act, 2011 in the State. Government had stated (December 2014) that no fund was required to implement the provisions of the Act.

Audit opined that separate budget provisions were necessary for training and capacity building since it was noticed that due to lack of awareness about the Act, services were not rendered in time which are discussed subsequently.

During exit conference the Secretary agreed (November 2015) with the audit observation and stated that funds would be required for computerization and imparting training for smooth implementation of the Act. However, no road map has been drawn.

### **2.10.7 Preparedness for implementation of the Act/Rules**

GAD is the Administrative Department of GoCG for implementation of the Act. The Act was notified in October 2011 and subsequently rules were framed in December 2011. Each department has to declare a Designated Officer, Competent Officer and Appellate Authority. Each Designated officer shall authorise his subordinate officer/employee for processing of the applications received. Deficiencies noticed are discussed below.

#### **2.10.7.1 Issue of Notification**

State Government had notified 255 public services in 34 departments for the implementation of the Act. A list of services is given in **Appendix-2.10.3**. Further, 34 departments have also notified the appointment of the Designated Officers, Competent Officers and Appellate Authority in all the cases in time.

#### **2.10.7.2 Non-provision of public awareness programme in the Act**

The Act did not include any provision for Information, Education and Communication (IEC) activities in order to create awareness among people about their legal rights to notified services. Hence, the Act remained largely unknown to the general public. This can be concluded from the fact that none of the applicants had filed any appeal relating to delay/non-delivery of requisite services even after delay of 485 days in receiving the services as discussed in pars 2.10.8.2 to 2.10.8.6. To ascertain the extent of awareness about the services, we issued survey questionnaire in 75 offices of the selected departments. Based on the response, we noticed no awareness programme was

undertaken in 16 offices while 56 offices claimed occasional awareness programme but without backed by any evidence. Three offices did not give any specific reply (**Appendix 2.10.4**).

During exit conference the Secretary stated (November 2015) that necessary instructions would be issued to all the departments to take steps for creating public awareness.

Department should create awareness amongst the general public regarding their rights of getting services under the Act.

### 2.10.7.3 Incomplete format prescribed for maintenance of register

As per Rule 17 of the Chhattisgarh *Lok Sewa Guarantee (Avedan, Appeal, tatha Parivyaya ka Bhugtan) Niyam*, 2011, records were to be maintained by the service provider department in respect of the services demanded. We noticed that provision for seven columns were made in the format as detailed in **Table-2.10.2** below:

**Table-2.10.2: Table showing the information maintained by departments**

Sl	Name and address of applicant	Service for which the application is given	Application allowed/dis - allowed	Last date of the stipulated time limit	Date of providing service	Date and details of the order passed by Competent Officer
(1)	(2)	(3)	(4)	(5)	(6)	(7)

However, the most important information about the date of receipt of application to assess whether the services were provided within the stipulated time period was not included. Moreover, the departmental authorities could fill up the column on their own, relating to the 'last date' of stipulated time. Further, no provision was made for giving acknowledgement for the applications received. This prevented ascertaining the delay in delivery of services.

During exit conference, the Secretary, while accepting the audit observation, stated (November 2015) that format/register would be suitably amended to capture all the required data.

Department should ensure maintaining of records with complete details to monitor the status of each case since its receipts.

### 2.10.7.4 Non-authorization of manpower for delivering the services

As per Rule 4 of the Chhattisgarh *Lok Sewa Guarantee (Avedan, Appeal, tatha Parivyaya ka Bhugtan) Niyam*, 2011, each officer designated by the department should authorise his subordinate officer to receive the applications, examine and issue acknowledgement.

We noticed in the test-checked offices that no official was authorised for receiving applications and issuing acknowledgement for services as per the Act. Moreover, no such instructions were issued in this regard by the Government/Head of Departments to the subordinate offices.

During exit conference the Secretary stated (November 2015) that the designated officers were responsible for receiving the applications. However,

steps would be taken to streamline the process as and when required so that beneficiaries do not face any problem while submitting the applications.

Departments should deploy dedicated personnel for providing the services to the general people within the prescribed time period.

#### **2.10.7.5. Training programme to service providers**

The State Government did not make any provision for imparting training to the officials in the departments for providing public services in the State.

As a result, the officials of the concerned departments were not fully aware about the various provisions of the Act.

During exit conference, the Secretary accepted (November 2015) the need for having periodical refresher training programmes.

Department should consider appropriate training for officials responsible for providing services in order to implement the Act effectively in the State.

### **2.10.8 Deficiency in Service Delivery**

The Chhattisgarh *Lok Sewa Guarantee* Act, 2011 provides for the delivery of public services to citizens by the State Government, local bodies, public authorities or agencies within a stipulated time.

Rule 4 of the Act provides that if the person responsible for delivering *Lok Sewa* fails to deliver such services within the stipulated time, he shall be liable to pay costs at the rate of ₹ 100 for each day for the period of delay, subject to a maximum of ₹ 1000. The deficiencies noticed in each selected departments in ensuring delivery of the services are given below:

#### **2.10.8.1 General Administration Department**

GAD is the main Administrative Department of the Government. It is the nodal department for framing Rules and Regulations for smooth running of the administration in the State. GAD is also the nodal agency for implementing the Act. As per the Act, GAD has the power to issue instructions and monitor the implementation of the Act.

We noticed that GAD had not issued any instructions nor did it monitor the implementation of the Act. As a result, many departments did not comply with the provisions of the Acts as discussed in subsequent paragraphs.

##### **(i) Non maintenance of Registers/Records in prescribed format**

Rule 17 of the Act provides that the Designated Officer of the service provider department should invariably maintain a record of all disposed cases. The name and address, services applied for, application allowed/disallowed, stipulated time limit and actual date of providing the requisite public services were to be mentioned clearly.

During scrutiny of records of 26 services of eight selected departments and its 75 offices, it was observed that only in 28 offices records were maintained as the per Act and in rest of the 47 offices no records were maintained for the services provided (**Appendix 2.10.5**). In absence of the prescribed records, the proper service delivery could not be ascertained.

On this being pointed out, 47 offices accepted the audit observations and stated that records would be maintained. During exit conference the Secretary stated (November 2015) that necessary instructions would be issued to the departments in this regard.

Department should ensure maintenance of records as per the provisions of the Act as this would help effective monitoring at all levels.

**(ii) Acknowledgement in prescribed format was not provided to the applicants.**

Rule 4 of the Act provides that each Officer designated by department should authorize his subordinate Officer to receive the applications, examine and to issue the acknowledgement.

During scrutiny of records in the selected five districts in eight departments, we observed that out of 75 offices, only six offices had issued acknowledgements whereas 69 offices did not issue any acknowledgements to the applicants (**Appendix 2.10.6**). Without receipt of necessary acknowledgement, the applicants were not legally entitled to claim for the delay in receipt of requisite services from the service provider department.

While the concerned 69 offices agreed that they had not been issuing the acknowledgements, the Secretary, during exit conference stated (November 2015) that necessary direction would be issued and inspections would be conducted to monitor the compliance.

Government may issue necessary instructions to all the departments for strict adherence to the provisions of the Act regarding issue of acknowledgement to applicants.

**(iii) Non display/incomplete display of notified services on the notice board**

As per Rule 16 of the Act, the Designated Officer should cause to exhibit the relevant information of services, on a notice board with details of necessary documents to be attached with an application for the convenience of general public.

During test check of records in the selected districts, we observed that out of 75 offices, 10 offices (**Appendix 2.10.7**) did not display the notified public services on the notice board as required. In four offices, notice boards were displayed but all the required details were not mentioned. It was also observed that in seven offices, notice boards were displayed at places not easily noticeable by general public or the writings on the notice board were not legible, thereby denying the citizens any awareness of the public services being provided by the department.

During exit conference the Secretary stated (November 2015) that detailed directions will be issued in this regard.

**2.10.8.2 Health and Family Welfare Department**

CGLSGA rules notified 14 services of Health and Family Welfare Department. Five services were selected for test check under the Act. For providing these services, designated officers were notified and stipulated time period was also mentioned against each service in the notification.

Scrutiny of 13,707 applications out of 46,457 applications received between April 2012 and March 2015 in respect of the selected services revealed the following:

**(i) Grants paid to the beneficiaries under Janani Suraksha Yojna**

The Government pays ₹1400 for rural and ₹ 1000 for urban beneficiaries as incentive to pregnant lady for giving birth in hospitals. The amount is to be paid within seven days from the date of delivery. Applications for this service are received and payment is made by the same hospital where delivery takes place.

We noticed in respect of 13,266 test checked applications that 132 cases of payment were delayed for one to 116 days (**Appendix-2.10.8**). The reasons for the delays in payments were due to shortage of funds, beneficiaries not coming to receive the cheques/payment etc.

**(ii) Issue of licence for production/sale/storage of edible food products**

The stipulated time period for delivery of this service is 60 days. The applications are first received in the concerned Food and Drugs branch under Health Department of the district. Licences are however issued only after the approval by licencing authority at Directorate of Health Services.

Test check of 338 applications for issue of licences revealed that in 11 cases, services were provided after delay ranging between 40 and 221 days (**Appendix- 2.10.8**).

On being pointed out in audit, the offices replied that delay in submitting relevant documents by the beneficiaries, code of conduct for elections etc. were the main reasons for delay.

Replies of the offices were not justified as the applications should have been received only after the verification of requisite documents and code of conduct for elections did not restrict the delivery of *Lok Sewa*.

**(iii) Renewal of license/licenses of sale/storage of medicine**

The stipulated time period for delivery of this service is 30 days. The procedure of receipt of applications and further processing is same as mentioned in Para (ii) above. Out of 103 cases scrutinized, 15 applications were delayed for seven to 134 days in providing the requisite services to the applicants (**Appendix-2.10.8**).

On being pointed out, the office replied that delay was due to incomplete documentation, vacant post of Licensing Authority and delay in issue of licence at Directorate level even after submission of inspection report.

Reply was not acceptable as the maximum time limit notified was deemed to have considered all such exigencies.

**2.10.8.3 Finance Department**

CGLSGA rules notified 11 services of Finance Department from which five services were selected for test check under the Act. The designated officer was notified and stipulated time was also mentioned against each service in the notification.

We scrutinized 3,468 applications out of 9,707 applications received in respect of Pension payment in the offices of three District Treasury Offices at Raipur, Kanker and Korba for the period April 2012 to March 2015. It was observed that in 89 cases, services were delivered after delay ranging from four days to 270 days against the stipulated time of 30 days fixed for providing the services under the Act (**Appendix-2.10.8**).

On being pointed out, the offices replied that delays were due to non furnishing of necessary information in time from the concerned offices for which the applications were received.

#### **2.10.8.4 Food, Civil Supplies and Consumer Protection Department**

CGLSGA rules notified 10 services of Food, Civil Supplies and Consumer Protection Department from which three services were selected for test check under the Act. The designated officer was notified and stipulated time was also mentioned against each service in the notification.

Scrutiny of 133 applications out of 13,346 applications received during April 2012 to March 2015 in respect of the selected services revealed the following:

##### **(i) Sanction of license for trade under control order**

Thirty days is prescribed for delivery of this service. We noticed that out of 28 cases, eight cases were delayed for 20 to 98 days in providing the services (**Appendix-2.10.8**).

On being pointed out, the offices replied that incomplete documentations of land records of the beneficiaries, code of conduct for elections etc. attributed to the delay in services.

The reply was not acceptable since the department should have accepted the applications only after checking all the documents as per Rule 4 of the Act.

##### **(ii) Renewal of licenses**

Two notified services namely Renewal of licence (*Naptol*) and Renewal of licence (food) were selected under Food, Civil Supplies and Consumer Protection Department. The stipulated time for providing these services is 20 and 30 days respectively.

Scrutiny of records of 83 cases of Assistant Controller, Legal Metrology, Raipur for the services of Renewal of license (*Naaptol*) for the period 2012-15 revealed that in 36 cases the delay ranged from five to 157 days. Further, in 22 cases of Renewal of licence (Food) under Food and Civil supply Office in Sarguja District, we noticed that in 19 cases services were provided after a delay of six to 198 days (**Appendix-2.10.8**).

On being pointed out, the offices replied that delay was due to the requisite field enquiries, non-submission of relevant documents with the application and non-fulfillment of basic amenities by the applicant.

Reply was not acceptable as the time period had been fixed only after taking into consideration all the above facts.

#### **2.10.8.5 Social and Welfare Department**

CGLSGA rules notified eight services of Social and Welfare Department. Four services were selected for test check under the Act. For providing these



services designated officer was notified and stipulated time was also mentioned against each service in the notification. The prescribed time for “Reporting on eligibility loan for rehabilitation of disabled persons” is 45 days.

Scrutiny of 61 applications received during April 2012 to March 2015 revealed that in nine cases, services were provided after a delay of 23 to 401 days (**Appendix-2.10.8**)

On being pointed out, the office replied that delay in inspection reports from Municipal offices and leave of concerned staff etc. attributed to the delay in services.

**(i) Non disbursement of disabled scholarship to the beneficiaries**

The “Disabled Scholarship” notified (January 2012) by GoCG is to be provided by the Social Welfare Department to the beneficiaries within 60 days.

During scrutiny of records of Superintendent, Government Blind, Deaf and Mute School (GBD and MS) in Raipur and Kawardha District, it was observed that 144 cases of disabled scholarship were sanctioned during 2014-15 but were not disbursed to the students (June 2015). Thus, the payments of scholarships were not disbursed within the stipulated period.

On this being pointed out, the Superintendent, GBD and MS stated that delay in scholarship was due to non-receipt of fund, non-availability of bank account of guardians and summer vacation of the school. During exit conference the Secretary stated (November 2015) that directions would be issued to the concerned department for considering a proper mechanism to address the issue.

The facts remains that the services were not provided in time.

Department should take appropriate action for timely disbursement of the disabled scholarship.

**2.10.8.6 Panchayat and Rural Development Department**

**(i) Delay in sanction of various types of pension to the beneficiaries within stipulated time**

CGLSGA rules notified nine services of *Panchayat* and Rural Development Department. Two services were selected for test check under the Act. Designated officer was notified and stipulated time was also mentioned against each service in the notification. The prescribed time for “Approval of new Social security pension application” is 60 days.

Scrutiny of 5,564 applications out of 23,985 applications received during April 2012 to March 2015 in the office of the *Janpad Panchayat (JP)*, Tilda and Kanker revealed that in 98 cases services were provided after delay of four to 485 days (**Appendix-2.10.8**).

On being pointed out, the offices stated that receipt of incomplete applications, improper documentation, delay in meetings for finalising of pension cases, election duty of staff attributed to the delay in services.

Similarly scrutiny of records of Chief Executive Officer (CEO), JP, Arang, revealed delay of four to 11 months in the sanction of 635 new cases of pension under *Samajik Suraksha Pension* (25 numbers), *Vridhavastha Pension* (395 numbers), *Sukhad Sahara Pension* (67 numbers) and *Indira Gandhi Vidhawa Pension* (148 numbers).

On this being pointed out, the CEO stated that delay occurred due to elections during the year 2014-15 and delay in getting the necessary approval from the executive committee. During exit conference the Secretary stated that the matter would be looked into and action would be taken accordingly.

Departments should ensure delivery of public services to citizens within the stipulated time so that the benefits of the services could be obtained in time by the citizens.

## **2.10.9 Monitoring and redressal of grievances**

### **2.10.9.1 Non submission of reports/returns to Government by the notified departments**

All the departments providing notified services are liable to submit their monthly/annual report/return to GAD through Head of the Department (HoD) in the prescribed format. On the basis these reports, government may ascertain the progress of effective implementation of the Act.

Scrutiny of records of GAD for the period 2012-15 revealed that only four to 19 departments (12 to 56 per cent) (**Appendix 2.10.9**) had been submitting monthly report/returns regularly to GAD through the Competent Officer for the services provided by them during the month.

During exit conference the Secretary stated that directions would be issued to all the departments for sending the reports regularly and GAD would ensure that all the departments comply with the orders.

Government may issue instructions to the departments for furnishing the monthly progress reports for effective monitoring.

### **2.10.9.2 Non-conducting of inspection and monitoring by the service provider departments.**

As per Rule 19 of the Act, the State Government may issue direction for the inspection of the offices of the Designated Officer, Competent Officer, Appellate Authority and Drawing and Disbursing Officer.

Scrutiny of records revealed that no such directions were issued by the State Government. Although Block Medical Officer, Arang and CEO, JP, Tilda stated that inspection and monitoring was being done by the competent officer, no documentary evidence was produced to audit for verification. Further, no schedule of inspection was prepared by the departments to inspect the offices of the Designated Officers followed by a report to the competent officer or Collector under the *Lok Sewa* Guarantee Act, 2011.

During exit conference the Secretary stated (November 2015) that GAD would issue directions to take action in accordance with the rules.

Suitable mechanism should be developed to ensure effective monitoring of implementation of the Act.

### 2.10.9.3 Non-opening of Bank Account

Rule 13 of the Chhattisgarh *Lok Sewa* Guarantee (*Avedan, Appeal, tatha Parivyaya ka Bhugtan*) *Niyam* states that in case of dismissal or rejection of appeal, the Designated Officer shall pay penalty within seven days as imposed by the Competent Officer to the applicant. Further, Rule 14 (a) provides that each Competent Officer should open a savings account in his own name in a nationalised bank for depositing/withdrawal of the amount collected as penalty and maintain records of the amount deposited /withdrawn by his office in a separate cash book.

Scrutiny of records revealed that out of 75 offices, 29 offices under seven Departments in five districts (**Appendix 2.10.10**), failed to open such savings account in any bank.

During exit conference the Secretary stated (November 2015) that directions would be issued to all the departments in this regard.

### 2.10.9.4 Imposition of penalty and Appeal

Rule 4 of the Act states that every person responsible for delivering *Lok Sewa* but failing to deliver such services within the stipulated time should pay penalty at the rate of ₹ 100 for each day during the period of delay, if any, subject to a maximum cost of ₹ 1000.

We noticed 1054 cases of delay in providing services by eight departments in five test checked districts but no penalty was imposed and recovered from the defaulting officials. However, in none of the cases, appeal had been lodged.

During exit conference the Secretary while accepting the observations stated (November 2015) that the reasons for actual delay would be looked into and necessary actions would be initiated.

### 2.10.10 Impact of implementation of Chhattisgarh Lok Sewa Guarantee Act, 2011

The Government of Chhattisgarh enacted (October 2011) the '*Chhattisgarh Lok Sewa Guarantee Act, 2011*' to ensure time bound delivery of notified public services (*Lok Sewa*) in Government departments. Despite delays ranging from one to 485 days in providing the services in the test checked districts, neither penalties have been imposed nor any appeals made indicating lack of public awareness. Thus there was absence of significant impact in rendering time bound delivery of the notified services even after the implementation of the Act in Chhattisgarh.

### 2.10.11 Conclusion and Recommendations

The '*Chhattisgarh Lok Sewa Guarantee Act, 2011*' provides that every person shall have the right to obtain *Lok Sewa* in the State of Chhattisgarh within the stipulated time as notified from time to time. The Act was enacted (October 2011) to ensure time bound delivery of 255 notified public services in 34 departments to the citizens by the State Government. It was however, observed that:

- The Act did not include any provision for information, Education and Communication activities in order to create public awareness about the legal

rights to notified services. Thus, there was lack of public awareness about the Act as none of the applicants had filed any appeal relating to delay/non-delivery of requisite services even after delay ranging from one day to 485 days.

Adequate institutional arrangements may be made at all levels to create awareness among people regarding their legal rights to services so that services to the public could be delivered and monitored.

- Although the Act provides that each officer designated by department should authorise his subordinate officer to receive the applications, examine and issue the acknowledgement, 69 out of 75 test checked offices did not issue any acknowledgement to the applicants. Display on notice boards was also not found to be done as per the norms.

Necessary instructions may be issued by the Government for strict adherence to the provisions of the Act regarding issue of acknowledgement to the applicants.

- The Act though provides that if the person responsible for delivering the *Lok Sewa* fails to deliver such services within the stipulated time, will be liable to pay penalty at the rate of ₹ 100 for each day for the period of delay, subject to a maximum of ₹ 1000, no penalty was recovered from defaulting officials in any of the test checked offices even though there was substantial delay in providing services.

Strengthening of monitoring mechanism would lead to accountability of officials in prompt delivery of services by the service departments.

- All the departments providing notified services were responsible to submit monthly/annual report/returns to GAD in prescribed format. However, only four to 19 departments were submitting monthly report/return to GAD for the services provided by them during the month.

Necessary maintenance of records and submission of reports as per the provisions of the Act may be ensured by all the service provider departments.

## Public Health and Family Welfare Department

### 2.11 Follow-up audit on Recommendations of performance audit on 'Working of AYUSH Department' part of Audit Report (Civil and Commercial) for the year ended 31 March 2011

#### 2.11.1 Introduction

The Indian System of Medicine and Homeopathy (ISM&H) renamed as AYUSH (*Ayurved*, Yoga and naturopathy, *Unani*, *Siddha* and Homeopathy) is mandated to provide healthcare facilities in alternative medicine system to the rural and urban people of the State. The Department implements various centrally sponsored schemes and state schemes for rendering the healthcare services to the populace of the State. The objectives of the Department includes providing treatment under the Ayurved and other indigenous systems of medicine by establishing AYUSH wings in existing allopathic institutions, prevention of diseases, production of Ayurved medicines, drug testing, imparting medical education and training.

Performance Audit of the 'Working of AYUSH Department' was included in the Comptroller and Auditor General's Audit Report (Civil and Commercial) for the year ended 31 March 2011, Government of Chhattisgarh (GoCG). The Report was laid in the State Assembly in April 2012. It was observed that-

- the number of outpatient had been growing in the State except in Bastar district which showed decline in number of outpatient;
- the utilisation of funds at the end of financial year was noticed;
- there were significant shortages in the cadre of Medical Officers and supporting staff ;
- there was lack of basic infrastructure like water, electricity and insufficient availability of equipment;
- there was ineffective use of funds and machinery at the Drug Testing Laboratory and Research Centre (DTLRC) and non filling up the vacant posts in DTLRC;
- the Department had not fixed any norms for process losses in manufacturing of medicines by the Pharmacy; and
- the Directorate and field functionaries had not exercised regular and adequate supervision over the functioning of the dispensaries. The internal audit mechanism in the Department was not effective.

Based on the findings in the Audit Report, audit had made 10 recommendations. The Department had agreed on these recommendations and stated that efforts would be made to implement the recommendations as far as possible.

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo motu* action on all Audit Paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within six months of the presentation of the ARs to the State Legislature.

The audit objective has been to ensure whether the Department implemented the accepted audit recommendations and adequately addressed the deficiencies with remedial measures.

### 2.11.2 Audit Criteria

The audit criteria were sourced from:

- (i) Recommendations made by audit and accepted by the State Government;
- (ii) Rules of procedure for the internal working of the Committee on Public Accounts;
- (iii) Departmental budget, general financial and other subsidiary rules, departmental manual/policies/ rules and regulations;
- (iv) Procedure prescribed for monitoring and evaluation of schemes/programmes;
- (v) Norms prescribed by the Central Council of Indian Medicines (CCIM).

### 2.11.3 Scope and Methodology of Audit

The Follow up Audit covering the period 2012-15 was conducted between June and September 2015. Audit was carried out in the offices of the Director, AYUSH, *Ayurved* Medical College and attached Hospital, DTLRC, Pharmacy and Ayushdeep Samities (Societies). Two District *Ayurved* Offices (DAO) along with Hospitals and 14 out of 138 dispensaries (10 *per cent*) covered in the past performance audit were also test checked. Information was also collected from dispensaries of two selected districts.

### 2.11.4 Audit Findings

Audit examined whether the Department had addressed the issues originally raised and corrective actions have either been taken or were in the process to address the areas of concern and recommendations. Findings are discussed below.

#### 2.11.4.1 Rush of Expenditure

We observed in audit that in 2011 there was rush of expenditure during the years 2006-11 in the purchase of medicines and machine/equipment which ranged between 71 and 100 *per cent* in the months of February-March.

Based on the audit findings, Audit had recommended that to avoid rush of expenditure and surrender of funds at a later stage, advance action should be taken to make procurements during the relevant financial year.

We noticed that the Director AYUSH, in compliance to instruction issued by finance Department had issued instruction to all Drawing and Disbursing Officers (DDOs) to avoid rush of expenditure in last quarter of financial year. As per aforesaid instruction it was mentioned that 40 *per cent* of expenditure would be incurred in first six months of a particular financial year and rest of the expenditure would be incurred as 25 *per cent* in third quarter and 35 *per cent* in the last quarter of the financial year. A maximum of 20 *per cent* of total expenditure should be incurred in the last month of a Financial Year.

During review of monthly expenditure statement of Financial Years (FY) 2010-15 of Director AYUSH, we observed that in the month of March, 100 *per cent* of expenditure was incurred in 13 heads of accounts mostly pertaining to purchase of stores, medicines and machines/equipments and in 16 heads of accounts, expenditure incurred ranged between 40 and 90 *per cent* which indicated that despite instruction being issued by the Finance Department, no advance action was taken by the Budget Controlling Officer over the rush of expenditure in last quarters of FY. Thus, the recommendation has not been implemented.

In the exit conference, the Secretary stated (November 2015) that the financial planning would be done to avoid rush of expenditure and process of procurement of medicines for the relevant financial year would be completed in June.

#### 2.11.4.2 Strengthening of Outpatient Services in Bastar District

Audit observed that in year 2011 in Bastar region, the number of outpatients had declined to 2.01 lakh in 2010-11 from 2.45 lakh in 2006-07, thus registering a decline of 18 *per cent*.

Based on the findings, Audit had recommended that effective steps may be taken to strengthen outpatient services in the *Ayurved* dispensaries in Bastar region which the department had agreed to implement.

In order to get an assurance that the above recommendation have been implemented, we audited the records of AYUSH department and noticed that outpatient increased from 2.21 lakh in 2011-12 to 2.70 lakh in 2014-15 an increase of 22 *per cent* as shown in **Table 2.11.1** below:

**Table-2.11.1: Number of Outpatient in Bastar region**

Year	Number of patients in dispensaries	Number of patients treated in health camp	Total
2011-12	2,04,699	15,941	2,20,640
2012-13	3,54,519	15,257	3,69,776
2013-14	2,93,606	28,094	3,21,700
2014-15	2,20,142	50,210	2,70,352
<b>Total</b>	<b>10,72,966</b>	<b>1,09,502</b>	<b>11,82,468</b>

(Source : Data provided by DAO, Jagdalpur)

Thus, the declining trend was found reversed to increasing trend. Further, to strengthen outpatient services in Bastar, the DAO, Jagdalpur organised 699 health camps at local market and other places and treated 1,09,502 patients in the camps during the period 2011-15. *Ayurvedic* villages have been established to popularize the *Ayurved* and also plantation activities of medicinal plants have been taken up in these areas. This indicated that efforts have been made by the department to increase the outpatient services. Thus, the recommendation has been implemented.

#### **2.11.4.3 Provision of plastic vials and plain globules for safe distribution of medicines**

It was observed in audit in year 2011 that against the total demand of plastic vials and plain globules for distribution of homeopathy medicine, the supply was only 35 and 52 *per cent* respectively. Despite availability of sufficient homeopathy medicines and increase in number of outpatients, enough quantity of plastic vials and plain globules could not be ensured for safe distribution of medicines.

Based on the audit findings, Audit had recommended that steps may be taken to provide plastic vials and plain globules to Homeopathy dispensaries in the State for safe distribution of medicines.

We observed that the Director AYUSH assured that the budget under contingency head has been provided and funds were also made available with '*Ayushdeep*' Societies to procure plastic vials and plain globules as per requirement of dispensaries. Thus, in case of any short supply of plastic vials and plain globules at Homeopathy dispensaries, the same may be procured. Thus, recommendation has been implemented.

#### **2.11.4.4 Ensuring quality of health services**

It was observed in audit in 2011 that the dispensaries were without basic facilities like own building and were housed in donated/panchayat/rented buildings, without electricity and water which indicated that there was a direct correlation between availability of electricity and the functional effectiveness of a dispensary. Waste management and uninterrupted electricity facilities in Hospitals were not in place.

Based on the audit findings, Audit had recommended that the effective steps should be taken to ensure quality healthcare services like general, emergency and maternity services as well as basic infrastructure like computerisation of inpatient and outpatient registration, waste management system and uninterrupted power supply in all existing Hospitals and Dispensaries in the State.

Audit reviewed the implementation status of the minimum basic services in the test checked districts. It was noticed that 50 out of 213 dispensaries were functioning without water while 26 dispensaries were functioning without electricity. The emergency and maternity services were not being provided at District *Ayurved* Hospital in Bastar but were being provided at *Ayurved* Medical College Hospital, Raipur. Infrastructure like computerisation of outpatient



registration was not undertaken by the Department and it was intimated that the medical waste was being properly disposed off. The alternative power supply arrangement had been ensured in District *Ayurved* Hospital, Jagdalpur and *Ayurved* Medical College Hospital, Raipur.

Thus, some steps have been taken by the authorities to strengthen services. However, the deficiencies still remain as mentioned above. Thus, the acceptance of audit recommendation was only partially implemented.

In the exit conference, the Secretary stated (November 2015) that in case of construction of new dispensaries, the estimate included provision for water facilities and further stated that action plan would be drawn for providing water facilities in those dispensaries where the same was not available. The Secretary also stated that providing maternity facility is mandatory only at Medical College Hospital and providing the same in District *Ayurved* Hospitals was not needed. Government had been planning to computerize the outpatient registration in the DAOs.

#### **2.11.4.5 Shortage of Staff**

During performance audit in 2011, we observed that there was shortage of staff ranging from 63 to 85 *per cent* in Class-I, 17 to 50 *per cent* in Class-II, eight to 47 *per cent* in Class-III, 19 to 29 *per cent* in Class-IV cadres and 16 to 24 *per cent* in Contingent staff. There were shortages in Specialists/Medical Officers (MO)/Assistant Medical Officers (AMO) of *Ayurved*, *Yog* and naturopathy, *Unani*, *Siddha* and Homeopathy (17 *per cent*), paramedical staff (30 *per cent*) and other supporting staff such as Dais/Female Health Worker and Class-IV/Part Time Sweepers (21 *per cent*) as of March 2011.

Based on the audit findings, Audit had recommended that the staff shortage should be addressed on a priority basis, especially in the case of MO/AMOs, who are the backbone of the medical system. Similarly, to ensure effective delivery of healthcare facilities supporting staff in *Ayush* centres should be considered where only the post of MO has been sanctioned so far.

We noticed that the staff position had improved in the posts of specialist, *panchkarma* assistants and female health workers whereas the Department had sanctioned more posts of MO and pharmacists during the period 2011-15 which were lying vacant to the extent of 23 and 35 *per cent* respectively.

The sanctioned staff and Men in Position (MIP) of important medical staff of the Department is shown in **Table 2.11.2** :

**Table-2.11.2: Sanctioned Strength and Men in Position**

Name of the Post	March 2011				September 2015			
	SS	MIP	Post Vacant	Vacancy (%)	SS	MIP	Post Vacant	Vacancy (%)
Specialists	44	3	41	93	43	22	21	49
Medical Officer	1155	962	193	17	1195	921	274	23
Pharmacist	787	650	137	17	1216	794	422	35
<i>Panchkarma</i> assistants	148	16	132	89	148	95	53	36
Female health workers	76	42	34	45	77	65	12	16

(SS-Sanction Strength, MIP-Men in position)

The Department intimated that the proposal for recruitment of 21 posts of specialist and 647 posts of MO had been forwarded to Government/Public Service Commission. However, for filling the vacancy of pharmacists, an advertisement was placed in March 2014 which was cancelled due to some unavoidable reason. The Department further stated that the recruitment for the post had been under process. Thus, the recommendation had been partially implemented.

In the exit conference, the Secretary stated (November 2015) that efforts were being made for fresh recruitments against vacant posts and requirements have been sent to VYAPAM (Chhattisgarh Professional Examination Board) for some posts.

#### **2.11.4.6 Modernisation of Drug Testing Laboratory and Research Center**

It was observed in audit in 2011 that the Drug Testing Laboratory and Research Center (DTLRC) had not undertaken any research activity since its establishment. Also no norms have been fixed by GoCG or AYUSH Department or by the DTLRC itself, in respect of samples required to be tested over a given period for strengthening the DTLRC. There was insufficient availability of equipment as well as ineffective use of funds and machinery. Out of 46 machineries/equipment recommended by GoI for a drug testing laboratory, 30 (65 per cent) were not available (October 2011) in DTLRC. Further, the post of Scientific Officers was not filled up, machinery/equipment was non-functional and lying idle in the laboratory. The Department had not taken any initiative to fill up the vacant posts.

Based on the audit findings, Audit had recommended that the DTLRC and Government *Ayurved* Pharmacy needs to be modernised and essential steps to be taken for installation of machine and equipment lying idle in these institutes in order to reduce cost of production and to facilitate quality testing of drugs.

We observed that for modernizing the DTLRC and Pharmacy, all the equipments required as per norms and which was also reported in past audit reports were not procured till now. The Controller of DTLRC had been placing the demands for various equipments and items regularly to Director AYUSH during year 2012 to 2014 but not a single item had been provided by the GoCG. In the absence of all the items and equipments as recommended in the guideline, the modernization of

DTLRC would not be possible. Further, the Controller of DTLRC had asked for sanction of 34 posts for DTLRC in different categories from GoCG. Out of these, GoCG had sanctioned only 14 posts in which five posts were still lying vacant including two posts of scientific officers and one post for lab technician which were considered as backbones of the laboratory. The Controller also stated that due to non creation of the post of scientific and technical staff, the research work could not be undertaken. However, testing of the drugs which were being received in laboratory were done in time and all the machines which were reported as lying idle in past audit report were installed. Thus, the accepted recommendation had been implemented partially.

In the exit conference, the Secretary stated (November 2015) that as per current requirement of the DTLRC, the equipments are sufficient and additional requirements if any, would be procured. It was also stated that the present sanctioned post of DTLRC was adequate for the present requirements. The Secretary further stated that the research work would be done by *Ayurved* doctors in Medical College and necessary tests and support would be provided by DTLRC.

#### **2.11.4.7 Inventory Management in Pharmacy**

It was observed in audit in 2011 that the Department had not fixed any norms for process losses in manufacturing of medicines by the Pharmacy. Scrutiny of records in Pharmacy revealed that the system of costing of medicines being produced, as adopted by the Pharmacy, was neither prescribed by the State Government nor approved by it at any level. The cost of production was worked out on ad-hoc basis.

Based on the audit findings, Audit had recommended that proper inventory management system for raw herbs needs to be put in place to avoid blockage of funds, the cost of production of medicines in Pharmacy needs to be rationalized by establishing a proper costing system. Norms for processing loss should be laid down to ensure actual loss of raw herbs during process of production.

It was observed that the Department had established a proper costing system and fixed the norms for processing loss of raw herbs during production cycle (June 2014). For maintaining inventory of raw herbs and materials used in pharmacy, a computer enabled application was being used from year 2013-14 onwards. The recommendation has been implemented.

#### **2.11.4.8 Execution of building works for health institutions**

It was observed in audit in 2011 that the Department had been constructing buildings for Hospitals and Dispensaries through Public Works Department (PWD). During the period of performance audit (2006-11) administrative approval of ₹ 12.60 crore was accorded during 2007-08 for 201 building works. As per the information furnished (October 2011) by the Directorate, 150 works were completed of which 12 buildings were not handed over to the Department by

PWD. Out of the remaining 51 works, 20 were in progress and 31 works could not be started/were incomplete as of October 2011.

Based on the audit findings, Audit had recommended that the construction works should be closely monitored to ensure early completion so that AYUSH wings, Specialised Therapy Centres and Specialty Clinics can commence functioning to provide required medical services.

It was observed that out of 201 building works sanctioned in 2007-08, 192 building works have been completed; while remaining nine works could not be started due to different reasons. During the period 2011-15 budgets were allotted to PWD and Chhattisgarh Medical Services Corporation (CGMSC). The CGMSC had completed construction of 25 *Ayurved* dispensary buildings and handed them to the Department. Thus, the department engaged another agency apart from PWD to ensure early completion of the works. Thus, the recommendations have been implemented.

#### **2.11.4.9 Internal Audit**

It was observed in audit in 2011 that an internal audit wing had to be set up in the Department for conducting the internal audit of field units. Out of 20 units to be audited in a year only four units were actually audited during the period 2006-11. The compliance reports on these internal audit reports from the units were also not received. It was evident that the internal audit mechanism in the Department was not effective.

Based on the audit findings, Audit had recommended that the Government/ Department should streamline the system of monitoring and evaluation including internal audit function to ensure full and proper utilisation of funds including those provided by GoI under various centrally sponsored schemes.

It was observed that the manuals for internal audit have not been prepared, although the Department had been conducting the internal audit during 2011-15. In the last three years, the Department had conducted audit of eight units out of 24 units. The recommendations have thus been partially implemented.

In the exit conference, the Secretary stated (November 2015) that roster would be prepared for internal audit and audit would be carried out accordingly.

#### **2.11.4.10 Field Inspection of Dispensaries**

It was observed in audit in 2011 that the Directorate and field functionaries had not undertaken regular and adequate supervision over the functioning of the dispensaries under their jurisdiction. Due to ineffective monitoring and evaluation, the Department could not have assessed the field level impact of the various GoI/ State schemes being implemented in the State nor taken cognizance of problems faced by the field units in implementing the schemes.

Based on the audit findings, Audit had recommended that a great deal of attention may be paid to activate field inspection of Hospitals and Dispensaries by the supervisory officers.

We observed during the test check of selected dispensaries that the field inspection was being carried out by the District Ayurved Officer and an inspection register was being maintained at dispensaries. The reports of inspection were being noted in this register but inspection reports was not generated. The recommendations, thus, have been implemented partially.

#### **2.11.5 Conclusion and Recommendations**

- The State Government implemented four out of the 10 audit recommendations pertaining to strengthening of outpatient services in Bastar district; providing plastic vials and plain globules; fixing norms for processing loss of raw herbs; and proper costing system and ensuring early completion of building works.
- Five recommendations were partially implemented relating to ensuring quality healthcare services like water, electricity, waste management in hospitals and dispensaries; addressing shortage of staff on priority basis; modernisation of Drug Testing Laboratory and Research Centre, and streamlining the system of Internal Audit and field inspection of dispensaries.
- One recommendation pertaining to taking effective steps to avoid rush of expenditure was not at all implemented.

The assurance given to implement the recommendations should be ensured.