

CHAPTER III

PERFORMANCE REVIEWS

This chapter contains performance reviews on Implementation of the Acts and Rules relating to Consumer Protection (3.1), Modernisation of Police Force (3.2), National Slum Development Programme (3.3), Lift Irrigation Schemes undertaken by Irrigation Development Corporations in Maharashtra (3.4), IT Review on collection, accountal and utilisation of charges collected by Nagpur Improvement Trust, Nagpur under Gunthewari Act, 2001 (3.5), IT Audit on Koshwahini System (3.6), Working of Ashram Schools (3.7) and Procurement, processing of milk and sale of milk and milk products (3.8).

FOOD, CIVIL SUPPLIES AND CONSUMER PROTECTION DEPARTMENT

3.1 Implementation of The Acts and Rules Relating to Consumer Protection

Highlights

The Consumer Protection Act, 1986 was enacted by Government of India to provide speedy and inexpensive redressal of grievances of consumers. This Act differs from the other consumer related Acts like Prevention of Food Adulteration Act, 1954, Drugs and Cosmetics Act, 1940 and Standards of Weights and Measures (Enforcement) Act, 1985 as being mainly compensatory in nature. A review of the implementation of the Consumer Protection Act and the relevant rules revealed that there was delay in setting up of the consumer courts, infrastructure for the consumer forums was inadequate, the forums were understaffed which led to a huge pendency of complaint cases in the consumer courts. Review of the implementation of other acts related to consumer protection revealed that there was shortfall in drawing of samples for inspection due to shortages of manpower. The review also revealed that the consumers were unaware of the provisions of Consumer Protection Act and that the State Government did not make adequate efforts to create consumer awareness.

There were delays in establishment of consumer forums ranging from three to 24 months. Establishment of three additional forums was delayed upto 33 months. The circuit Bench at Nagpur approved in October 2004 has not started functioning. This resulted in delay in making available the intended benefit to the consumers at large.

(Paragraphs 3.1.8 and 3.1.9)

As of March 2005, 13244 and 20269 complaint cases were pending in the State Commission and the District Forums respectively.

(Paragraph 3.1.14)

Despite huge balance (Rs 62.06 lakh) in Maharashtra Consumer Protection and Guidance Fund, no expenditure was incurred out of the Fund for promotion of consumer protection and awareness.

(Paragraph 3.1.24)

District Consumer Protection Councils were not set-up in any of the districts resulting in non-achievement of the object to promote and protect the rights of the consumer, as specified in the Consumer Protection Act.

(Paragraph 3.1.19)

Though schemes of free legal aid for poor consumer was in existence in the State, the benefits of the scheme are not availed of by the complainants, due to lack of awareness.

(Paragraph 3.1.13)

There was shortage of manpower and consequential shortfall in drawal of samples by departments implementing Prevention of Food Adulteration Act, 1954 and Drugs and Cosmetics Act, 1940.

(Paragraphs 3.1.21 and 3.1.22).

Central schemes namely Jagruti Shivar Yojana, setting up of consumer club in schools and consumer awareness programme were not implemented mainly due to the fund constraints.

(Paragraphs 3.1.25, 3.1.26 and 3.1.27)

3.1.1 Introduction

The Consumer Protection Act (CP Act) 1986 is a socio-economic legislation enacted by the Parliament in 1986 to provide simple, speedy and inexpensive redressal of the consumer grievances in relation to goods purchased and services availed. The CP Act came into effect from 1986 after the Government of India (GOI) had framed the Consumer Protection Rules, 1987. The State Government also notified Maharashtra Consumer Protection Rules, 2000 under the CP Act. The CP Act provides for establishment of three-tier quasi-judicial consumer dispute redressal machinery at National, State and district levels called Consumer Dispute Redressal Agencies (CDRAs), commonly known as Consumer Courts. They are empowered to give relief of specific nature and award compensation to the consumers. The CP Act was amended in 2002 empowering the courts in order to facilitate quicker disposal of complaints.

Besides, the following Acts and Rules also envisage consumer protection:

- Consumer Welfare Fund Rules, 1992 (under the Central Excise and Salt Act, 1944) framed with the main objective of setting up of facilities for training, research, testing laboratories and consumer awareness.
- The Standards of Weights and Measures (Enforcement) Act, 1985 in order to protect the consumer from the use of weights and measures other than standard weights and measures in the market.

- Prevention of Food Adulteration Act, 1954 in order to protect the consumers from production and sale of adulterated food in the market.
- Drugs and Cosmetics Act, 1940 which prohibits manufacture, sale or distribution of spurious drugs and cosmetics.

3.1.2 Organisational set-up

The Principal Secretary, Food, Civil Supplies and Consumer Protection Department is responsible for implementation of the CP Act and Rules at the State level. He is assisted by an Executive Secretary and an Under Secretary. The State Consumer Dispute Redressal Forum is headed by the President, who is assisted by one Registrar and there are 34 District Forums headed by the Presidents.

The Commissioner, Food and Drugs Administration is responsible for implementation of the Prevention of Food Adulteration Act and Drugs and Cosmetics Act. He is assisted by seven Joint Commissioners at Regional level and by 31 Assistant Commissioners at district level. The Controller of Legal Metrology monitors the implementation of the Standards of Weights and Measures (Enforcement) Act, 1985 and is assisted by seven Deputy Controllers at division level and 29 Assistant Controllers at district level.

3.1.3 Scope of audit

The performance audit was conducted (April to August 2005) through examination of records and documents regarding the implementation of the Acts and Rules relating to consumer protection in the offices of the Principal Secretary, Food, Civil Supplies and Consumer Protection Department, Commissioner of Food and Drugs Administration (FDA), Controller of Weights and Measures and the redressal agencies *viz.* the State Commission and nine selected District Forums (in eight out of 35 districts), covering the period from 2000-01 to 2004-05.

ORG-MARG, an independent agency, was engaged for survey and study on the subject to assess the current level of awareness of the CP Act among the consumers and their level of satisfaction with respect to the complaints made. This was intimated to the State Government (June 2005). The ORG-MARG carried out the survey in the State covering 2359 consumers in nine districts (including four districts selected by audit for test-check), besides 488 complainants, 10 manufacturers/service providers, two Non-Government Organisations and two laboratories. Findings of survey on the matter have been included in this review at appropriate places. The executive summary of the survey findings of ORG-MARG is given in **Appendix XXIX**.

3.1.4 Audit objectives

Audit review of implementation of the Acts and the Rules relating to consumer protection was conducted to assess whether:

- the Government has created suitable adjudication mechanism for consumer protection as envisaged in the CP Act;
- the rules governing issue of implementation of the CP Act had been formulated and notified and adequate mechanism for administering various Acts for consumer protection exists;
- the infrastructure created for disposal of complaints met the expectations of the consumers and fulfilled the purpose of enactment of the Act;
- Consumer Protection Councils had been notified and were functioning;
- a uniform plan for staffing and operation had been prescribed and being adhered to in staffing and operation of the District Forums and the State Commission;
- various steps and initiatives including schemes by the Government of India/the State Government had succeeded in creating awareness amongst the populace and
- adequate system of monitoring of the grievances of consumers had been created with a view to ensuring their timely disposal.

3.1.5 Audit criteria

Functioning of the State Commission, District Forums and also the Department of Consumer Affairs and Consumer Protection Council was assessed in audit with reference to adherence to the provisions of the Acts and Rules relating to the Consumer Protection. Availability of infrastructure, adequacy of staffing and funding were also examined in audit with reference to the relevant rules, norms and orders issued by the Government and the State Commission. The effectiveness of the system of monitoring of consumer grievances was examined with reference to pendency of cases and steps taken by the State Government and the State Commission to reduce the pendency. The adequacy of Government consumer awareness programme was scrutinised with reference to the extent of actual implementation of consumer awareness schemes.

3.1.6 Audit methodology

A sample size of eight out of 35 districts (22 *per cent*) in the State was selected. The test checked districts were selected on the basis of random sample.

Audit examination was also carried out through test-check of secondary data like reports, documents, records and feedback on questionnaires issued to the test checked District Forums and the State Commission.

The audit plan including the audit objectives was discussed in the Entry Conference held with the Principal Secretary, Food, Civil Supplies and Consumer Protection Department as well as with the President of the State Commission. The findings of audit were discussed at Government level in the

Exit Conference and report was finalised after considering the views of the Government.

Audit findings

3.1.7 Financial outlay and expenditure

The details of financial outlay and expenditure during 2000-2005 were as under:

(Rupees in crore)

Year	Budget Provision	Expenditure	Savings (-) Excess (+) (Percentage)
2000-01	4.65	4.53	(-) 0.12 (2.58)
2001-02	4.62	4.45	(-) 0.17 (3.68)
2002-03	4.11	4.14	(+) 0.03 (0.73)
2003-04	4.58	4.72	(+) 0.14 (3.06)
2004-05	5.65	5.43	(-) 0.22 (3.89)
Total	23.61	23.27	(-) 0.34 (1.27)

It was observed in audit that State Government did not make any budget provision for creation and strengthening of infrastructure for the adjudication mechanism.

The GOI provided (between 1995 and 1997) Rs 3.60 crore as ‘one time grant’ to the State Government towards strengthening of infrastructure (including building) for the State Commission and the District Forums. As against this, Government utilised Rs 3.56 crore on construction of 15[♦] buildings during 1997-98 to 2004-05.

In addition, the State Government received Rs 3.50 lakh in August 2001 and Rs 50 lakh in March 2005 for programmes on awareness generation. Further, Rs 1 crore for consumer awareness were sanctioned during 2004-05 by GOI but not released (May 2005).

Creation of adjudication mechanism

3.1.8 Setting up of Consumer Forums

As per Section 9 of the CP Act, the State Government was to set up a State Commission and one District Forum in each district. Though the CP Act came into force in July 1987, issue of notification for the establishment and actual functioning of the District Forums were delayed. The State Commission in Mumbai and District Forum at Nagpur were notified and started functioning in October 1989. Government notified creation of 30 more District Forums

There was delay in setting up of consumer forums for periods ranging between 3 and 33 months

[♦] Akola, Bhandara, Buldhana, Chandrapur, Dhule, Jalgaon, Jalna, Osmanabad, Parbhani, Ratnagiri, Sangli, Satara, Solapur, Wardha and Yavatmal.

between December 1989 and February 1990, which started functioning between February 1990 and December 1991. It was noticed that 19 forums started functioning after a delay of three to 15 months while delay in respect of South Mumbai was 24 months. Further, Government notified three additional forums (Pune, Nagpur, Central Mumbai) in October 1994 which started functioning during the period between January 1995 and July 1997 *i.e.*, after a delay of three to 33 months.

The delay was attributed by the Registrar of the State Commission (August 2005) to non-availability of infrastructure, office accommodation and paucity of funds. It was, however, observed that the State Government made no budget provision for creation of infrastructure even in the recent years.

In October 2002, Government ordered creation of four new District Forums at Gondia, Hingoli, Nandurbar and Washim. None of the District Forums were, however, functioning as of May 2005 for want of infrastructure and staff. Consequently, in the original districts (Akola, Bhandara, Dhule and Parbhani) 217 cases were pending as of March 2005 out of 513 cases filed from July 1998 onwards. As an interim measure, the complaints were being filed by the consumers in the original districts covering a distance of 80 km to 110 km.

3.1.9 Establishment of circuit bench

A circuit bench at Nagpur approved by Government in October 2004 was not functioning even as of March 2005

The Act envisaged that the State Commission shall ordinarily function in the State capital but may perform its functions at such other places (circuit benches) as the State Government may in consultation with the State Commission notify. The State Commission demanded (October 2002) a circuit bench at Nagpur which was approved by the State Government in October 2004. It did not start functioning for want of proper infrastructure facilities and due to non-filling up of the sanctioned posts. The State Commission also demanded (January 2003) establishment of a circuit bench at Aurangabad on which action was yet to be taken by the Government (October 2005). As a result 6,576 complaints at Nagpur region and 4,027 complaints at Aurangabad region were pending disposal as of March 2005.

Adequacy of infrastructure

3.1.10 Lack of accommodation

Construction of the office buildings for the State Commission and the 14 out of 34 District Forums were taken up with the one time grant of Rs 3.60 crore received from the GOI during 1995-1997. The works were completed during 1998-99 after incurring expenditure of Rs 3.56 crore. It was noticed that the building of the District Forum at Sangli constructed in 2004 at a cost of Rs 26.69 lakh was not occupied due to incomplete civil work as of September 2005.

Provision for construction of buildings for 16 forums at an estimated cost of Rs 68 lakh was included in the State Action Plan (2004-09), which was yet to be cleared by the GOI. Proposal for building for Mumbai District Forum offices was not submitted as the State Government failed to arrange suitable land.

The District Forums at Kolhapur and Raigad were far from the central locations such as Collector's office. In the District Forums at Raigad and Thane space for conducting judicial and office work was inadequate.

Adequate facilities were not available for public in 25 out of 34 forums

In 25 out of the 34 forums (including the State Commission), facilities of waiting room for the public were not available. In 28 District Forums, there was no library. Fourteen District Forums reported that judicial and other journals could not be subscribed due to paucity of funds. Drinking water facilities were insufficient in eight District Forums.

Findings of survey by ORG-MARG revealed that approximately 60 per cent of respondents who were aware of the Act, did not know the location of the District Forum in their respective districts. Overall, only 12 per cent reported to be aware of the existence of any redressal agency in their districts.

Administrative framework

The functioning of the State Commission and the District Forums was impeded due to inadequate administrative support, shortage of manpower and insufficient infrastructure as discussed below.

3.1.11 Vacancies in key posts in District Forums

The position of vacancy of President and Members of the District Forums during the period 2000-05 in the selected District Forums was as under:

Name of the Forum	Vacancy Position in months		
	President	Members	
		Male	Female
Additional Pune	--	14	9
Ahmednagar	--	--	5
Akola	5	9	--
Central Mumbai	8	--	--
Osmanabad	9	--	--
Pune	12	12	--
Raigad	4	4	14
South Mumbai	--	5	6

Audit scrutiny revealed that the post of President and Members remained vacant for periods ranging from four to 14 months.

Against 283 posts in various categories sanctioned (August 1995) by the State Government for the State Commission and the District Forums, men in position as of May 2005 were 259.

In view of the Bagla Committee recommendations and increased workload, the State Commission proposed (March 2003) sanction of additional 967 posts on judicial pattern to the Government. The State Government accorded sanction for creation of only 157 additional posts (October 2004). These posts were yet to be filled in (August 2005). The position in this regard is indicated in **Appendix XXX**.

Government stated (May 2005) that the posts admissible for the State Commission and the District Forums would not be on judicial pattern and the posts sought for sanction by the State Commission were not admissible to them. Government also stated that the vacant posts would only be filled up from the surplus pool and there were administrative delays on this account.

Enforcement mechanism

3.1.12 Procedure for filing cases

Advocates were hired by complainants to plead cases though not envisaged under the rules

The Consumer Protection (CP) Rules, 1987 envisaged that complaints should be lodged by the complainant in person or by his agent to the forum. This implies that the consumer may plead his case himself thus saving him the expenses of hiring a legal professional.

Scrutiny revealed that the percentage of complaint cases pleaded by advocates ranged between 75 and 98. The services of advocates were hired due to lack of awareness of CP Rules, 1987.

ORG-MARG findings revealed that out of an average expense of Rs 2,743 by a complainant, Rs 2,699 was paid as fees to the advocate, 42 *per cent* of the complainants used stamp paper to file the case and in majority of the cases (81 *per cent*) the lawyers /agents advised them to do so. Around 22 *per cent* of complainants who registered their complaints prior to March 2003 reported to have deposited court fee notwithstanding the fact that the court fee was introduced only in March 2003.

3.1.13 Free legal aid

Scheme of free legal aid was not availed of by the complainants due to lack of awareness

Under the Maharashtra State Legal Aid and Advice Scheme initiated in 1979, the person below poverty line domiciled in Maharashtra, gets free legal aid and advice. The Legal Aid Societies have been established down to the Taluka level in the State which are funded by the State Government. The Government issued instructions (October 1992) to all the Presidents of the Consumer courts to guide the poor consumer for legal assistance from the Legal Aid Society.

The financial assistance available from the Legal Aid Society was, however, not availed of by the complainants. There were no records at the State Commission or in the District Forums to show that adequate publicity about the facility was given.

3.1.14 Pendency of cases under CP Act

As of March 2005, 13,244 and 20,269 complaint cases were pending in the State Commission and the District Forums respectively

Though the CP Act prescribes time limit for disposal of cases, various procedural delays in registering and processing of cases were noticed.

The position of consumer dispute cases filed and disposed of during the years 2001-2005 (to end of March 2005) in respect of the State Commission and 34 District Forums in the State was as under.

Calendar Year	State Commission					District Forums				
	Cases pending prior to the year	Cases filed during the year	Total	Disposal during the year (Percentage)	Cases pending to the end of the year	Cases pending prior to the year	Cases filed during the year	Total	Disposal during the year (Percentage)	Cases pending to the end of the year
2001	8739	2487	11226	1053(9)	10173	18278	12506	30784	10518(34)	20266
2002	10173	2332	12505	1640(13)	10865	20266	26546	46812	22147(47)	24665
2003	10865	2420	13285	1525(11)	11760	24665	11947	36612	13402(37)	23210
2004	11760	2763	14523	1678(12)	12845	23210	9658	32868	12175(37)	20693
2005 upto March	12845	758	13603	359	13244	20693	2673	23366	3097	20269

It can be seen from the above table that during the period 2001-2005, the disposal of the cases by the State Commission ranged between nine *per cent* and 13 *per cent* while disposal by the District Forums was between 34 and 47 *per cent*. Number of pending cases with the State Commission increased over the years while in the District Forums there was a marginal decline in pending cases. The year-wise position of pending cases in selected districts is given in **Appendix XXXI**. Out of 13,244 pending cases in the State Commission, 8,739 cases pertained to the period 1992-2000. Out of 20,269 pending cases in selected District Forums, 18,278 cases pertained to the period 1994 to 2000.

3.1.15 Disposal of cases beyond the prescribed time limit

More than 70 *per cent* cases were decided beyond the stipulated period

According to the provisions of Section 13 of the CP Act, every complaint shall be heard as expeditiously as possible and endeavour made to decide a complaint within a period of 90 days or, where it requires analysis or testing of commodities, 150 days.

Audit observed that less than 30 *per cent* cases were decided within the stipulated period in the State Commission and in the test checked District Forums. Cases decided beyond 150 days were ranging from 42 to 92 *per cent*. In the case of South Mumbai District Forum, 100 *per cent* cases were decided beyond the stipulated period. The disposal of complaints beyond the stipulated

period (March 2005) in test checked District Forums is given in **Appendix XXXII**.

The Government stated (May 2005) that review meeting of the office bearers of the District Forums, the State Commission and the officers of the Department is organised every year to reduce the number of pending cases. Huge pendency, however, indicated that action by the Government was inadequate and ineffective.

ORG-MARG findings indicated that to resolve a case an average period of 12.3 months was spent. In case of unresolved cases the same were pending for past 32 months on an average. On an average 6.6 hearings were required to resolve a case. Around 43 *per cent* of cases were still unresolved even after almost 10 hearings. An analysis of time taken at various stages showed that on an average 4.3 days were spent for registering a case, about 28 days were taken for serving the notice only. First hearing was held after 27.4 days. Overall, all the stakeholders and the complainants perceive the redressal as simple but not very speedy and economical.

3.1.16 Recovery of compensation and payment to the complainants

In 300 cases recovery of Rs 2.89 crore was pending as of March 2005

As per Section 25(3) of the Consumer Protection (Amendment) Act, 2002 where any amount is due from any person under an order made by a consumer court, the person entitled to the amount may make an application to the consumer court and shall issue a certificate for the said amount to the Collector of the district who shall proceed to recover the amount in the same manner as arrears of land revenue.

In the Districts Forums test checked, 300 cases involving recovery of compensation amount of Rs 2.89 crore were referred to the civil courts/revenue authorities during 2000-2005 which were pending for recovery as of March 2005.

The cases referred to the Collectors were sent to the respective *Tahsildars* for enforcement and were pending at tahsil level. No monitoring of the enforcement of execution orders received from consumer forum was done at Collector's level and no progress thereof was reported to the respective forum. The non-execution of orders resulted in non-recovery of compensation of Rs 2.89 crore and deprived the consumers concerned of the compensation due to them.

ORG-MARG findings indicated that 61 *per cent* complainants had actually not received the compensation after passing of the decree. There were 94 cases (60 *per cent*) where the decree was passed and compensation was yet to be received. On an average the compensation was due for 5.5 months. For those

who had received compensation, it was received within an average period of 21.7 months.

3.1.17 Co-ordination with Police Department

Active support and co-operation of Police Department was required in trial of cases under Section 27 of the CP Act without which the consumer forums cannot effectively function and discharge its statutory and judicial obligation of adjudication effectively. It was however, noticed from the brief prepared by the State Commission in March 2004 that there was no assistance/co-operation from the Police Department.

Functioning of Consumer Protection Councils

3.1.18 State Council

The CP Act provides establishment of a State Consumer Protection Council (Council) in the State with the object to promote and protect the rights of consumers. The State Government established five Councils since 1987 for a term of three years. There was no State Council during the period 1999 to February 2002. The fifth Council held only two meetings in three years against atleast six to be held. After the expiry of the term of fifth Council (January 2005) the sixth Council had not been established as of May 2005. Thus, due to delays in establishing the State Council and not holding meeting regularly the objectives of setting up of the Council were not achieved.

3.1.19 District Council

The State Government has to establish a District Consumer Protection Council (DCPC) for each district with the object to promote and protect the rights of the consumer specified in Section 6 of the CP Act. The Government decided in March 2003 to establish DCPC in each district. DCPCs were, however, not established in any of the districts as of May 2005. Thus, due to non-establishment of DCPCs the object to promote and protect the right of consumer as specified in Section 6 of the CP Act could not be achieved.

District Consumer Protection Councils were not established in any of the districts though envisaged in the Act

Computerisation of consumer courts

3.1.20 Linking of redressal agencies through computer networking

The conference of the Presidents of the State Commissions and the Secretaries in charge of the State/Union Territories held in March 2003 recommended computerisation of all the State Commissions and District Forums through the National Informatics Centre (NIC). Accordingly, the National Commission submitted a proposal costing Rs 27.39 crore to the GOI in March 2004. The first phase of computerisation, including the State Commission and 14 District

Forums, to commence in March 2005 had not been started (September 2005) for want of directives from the GOI.

In a review meeting held in September 2003, the GOI decided to develop website for consumer forum for providing information to the consumers and make available the status of the cases filed in District Forums. This was, however, not developed (August 2005).

Deficiencies in enforcement of other Acts

The provisions in other related Acts for consumer protection envisage taking samples, inspection of establishment to ensure circulation of quality foods/drugs and its correctness in the market. For this purpose norms have been fixed by Government under respective Acts. The position in this regard under other Acts was as under:

3.1.21 Prevention of Food Adulteration Act, 1954

Shortfall in drawal of samples

Against the sanctioned posts of 265 Inspectors in 2000-01, the vacancy of posts of Inspectors increased from 22 in April 2000 to 51 in March 2005. The shortfall in drawal of sample increased from 6 *per cent* to 21 *per cent* during 2000-2005. The department attributed (August 2005) the shortfall in drawal of samples to shortages of manpower.

Scrutiny also revealed that the number of posts of Inspectors sanctioned for implementation of Prevention of Food Adulteration Act did not increase since 2000-01 though number of establishments to be inspected increased from 1,70,865 to 2,11,670 during 2000-01 to 2004-05.

Pendency in prosecution

Section 7 of the Prevention of Food Adulteration Act, 1954 prohibits the sale of adulterated/misbranded food articles. Persons found contravening this provision are liable for prosecution. The position of pending prosecution cases during 2000-05 is as under:

Year	Number of prosecution cases pending at the beginning of the year	Number of cases launched during the year	Total	Number of cases decided during the year (percentage)	Number of cases pending at the end of year.
Upto 2000-01	7628	978	8606	327 (4)	8279
2001-02	8279	1094	9373	348 (4)	9025
2002-03	9025	1133	10158	278 (3)	9880
2003-04	9880	417	10297	376 (4)	9921
2004-05	9921	364	10285	236 (2)	10049

The age-wise analysis of the pending cases was not available with the Department. The Joint Commissioner (Food) stated (August 2005) that out of 10,049 pending cases, 7,628 cases were pending for more than five years and normally a period of five to ten years was required for taking final decision in a number of cases. Measures taken by the Government to reduce the pendency of the cases was not on record.

It was observed that disposal of cases was below 5 *per cent* and number of pending cases increased each year.

3.1.22 Drugs and Cosmetics Act, 1940

Shortfall in drawal of samples

Against the sanctioned posts of 159 Inspectors in 2000-01, the vacancy of posts of Inspectors increased from 31 in April 2000 to 64 in March 2005. The shortfall in drawal of samples increased from 6 *per cent* to 24 *per cent* during 2000-05. The department attributed (August 2005) the shortfall in drawal of samples to shortage of manpower.

Reason attributed by the department is not tenable as shortfall in samples was determined with reference to the Inspectors working in the Department. Scrutiny also revealed that the number of posts of Inspectors sanctioned for implementation of Drugs and Cosmetics Acts did not increase since 2000-01 though number of establishments required to be inspected increased from 49,879 to 61,156 during 2000-01 and 2004-05. There was nothing on record to indicate that the department took adequate action to meet the increased requirement of inspections and drawal of samples.

Pendency in prosecution

Section 18 of the Drugs and Cosmetics Act, 1940 prohibits the manufacture, sale, stock or distribution of drugs or cosmetics not of standard quality, misbranded drugs and adulterated drugs. Persons found contravening this provision are liable for prosecution. The position of pending prosecution cases during 2000-2005 is as under:

Year	Number of prosecution cases pending at the beginning of the year	Number of cases launched during the year	Total	Number of cases decided during the year (percentage)	Number of cases pending at the end of year
Upto 2000-01	1311	128	1439	49(3)	1390
2001-02	1390	110	1500	32(2)	1468
2002-03	1468	100	1568	41(3)	1527
2003-04	1527	77	1604	42(3)	1562
2004-05	1562	73	1635	22(1)	1613

Out of 1,613 pending cases, 1,311 cases were pending for more than five years. Measures taken by the Government to reduce the pendency of the cases were not on record.

It was observed that disposal of cases was below 5 *per cent* and number of pending cases increased each year.

3.1.23 Standards of Weights and Measures (Enforcement) Act, 1985

Pending cases in prosecution

The cases filed including that at Departmental level and court cases under this Act which remained pending during 2000-04 were as under. Information for the year 2004-05 was not available with the Department.

Year	Number of prosecution cases pending at the beginning of the year	Number of cases launched during the year	Total	Number of cases decided during the year (percentage)	Number of cases pending at the end of year
Upto 2000-01	15141	24053	39194	27086 (69)	12108
2001-02	12108	36555	48663	19331 (40)	29332
2002-03	29332	7666	36998	8030 (22)	28968
2003-04	28968	23894	52862	22366 (42)	30496

Measures taken by the Government to reduce the pendency of cases were not on record.

It was observed that disposal of cases was between 22 and 69 *per cent* under Weights and Measures (Enforcement) Act, 1985 during 2001-04 and number of pending cases increased each year.

Laboratory infrastructure

The State laboratories had been established by the Government for verification of stamping of weights and measures, with equiarm type working standard balances, which were more than 40 years old and had reportedly lost sensitivity. None of the laboratories were upgraded to digital type standard balances. The Department submitted a proposal for modernisation of laboratories costing Rs 1.43 crore to the Government as late as in September 2005.

The State Government had established six* secondary working standard laboratories at divisional level for verification of the working standards used by the Inspectors. It was noticed that no secondary standard laboratory was

* Amravati, Aurangabad, Mumbai, Nagpur, Nashik and Pune.

provided in Konkan region and the laboratories at Nagpur and Pune were not functioning since October 1992 and May 1995 respectively. Thus, out of six secondary laboratories only three laboratories were in existence for last ten years. The Deputy Controller of Legal Metrology, Mumbai stated (June 2005) that the working standards of Nagpur was tested in Amravati region and of Pune and Konkan in Mumbai region. There was nothing on record to indicate the extent to which this had affected the work of timely verification of working standard in the secondary laboratory and to what extent this had ultimately affected the interest of the consumers.

Awareness and empowerment of consumers

Financial assistance from Consumer Welfare Fund is given by the GOI to the registered agency/organisation or village/mandal/samiti and to the State Government for undertaking consumer awareness welfare activities. The following schemes were financed by the GOI during 2000-05:

3.1.24 Creation and operation of Maharashtra Consumer Protection Guidance Fund (Fund)

A huge balance of Rs 62.06 lakh was lying in the Fund, but no programmes were carried out for consumer welfare and awareness

With an objective to protect consumers from health hazards by providing safety from spurious goods and services, to promote and protect economic interest of consumers and to promote consumer awareness the State Government created Maharashtra Consumer Protection and Guidance Fund (Fund) by amending Bombay Sales Tax Act, 1959 and by framing the Rules formulated in November 1992. The overall management of this Fund was vested with a managing committee appointed by the Government consisting of the Secretary Food, Civil Supplies and Consumer Protection Department as Chairman and four other members including two representatives of the consumer organisations.

It was noticed that against the total receipt of Rs 70.13 lakh during the period 2000-05, only Rs 4.47 lakh and Rs 3.59 lakh were spent on distribution of posters and charts of consumer awareness during the years 2002-03 and 2003-04 leaving a balance of Rs 62.06 lakh as of March 2005.

It was noticed that the State Government did not credit annual contribution of Rs 10 lakh during 1993-94 to 2001-02, though required under the Rules.

As per the GOI decision (February 2004) seed money of Rs 1 crore in the ratio of 50:50 (Central and State) was to be credited to the Fund. Though the State Government contributed its share of Rs 50 lakh, the GOI had not released (March 2005) its share.

As per Rule 10(A) of Consumer Protection (Amendment) Rules, 2004 passed by the GOI any compensation passed by the National Commission, which remains unclaimed due to non-identification of consumers shall be credited to

the Consumer Welfare Fund. Audit scrutiny in the State Commission and the test checked District Forums revealed that Rs 2.43 crore which included unclaimed compensation were lying in the Personal Ledger account as of March 2005. The State Commission stated (June 2005) that since the State Government had not issued similar notification, no action was taken to work out the unclaimed compensation amount of unidentified consumers and credit the same to Fund.

No expenditure was incurred on programmes for promotion of consumer protection and awareness as envisaged in Rule 4.

3.1.25 Implementation of Jagruti Shivar Yojana

Rs 2.63 lakh distributed to district committees in March 2002 for consumer awareness remained unutilised as of May 2005

Under the Jagruti Shivar Yojana, GOI had sanctioned to the State Government Rs 3.50 lakh in August 2001 for consumer awareness programmes in the districts of Ahmednagar, Aurangabad, Beed, Jalgaon, Nashik, Solapur, and Thane. Of this, expenditure of Rs 87,000 was incurred on providing booklets/posters for distribution to these districts and the balance (Rs 2.63 lakh) was distributed (March 2002) to the district committees for holding public meetings and functions of awareness programmes. The amounts remained unutilised with the seven district committees as of May 2005. The Department stated (May 2005) that the Chairman and the members of the district committees were not available for organising the seminar. In June 2004, GOI sanctioned Rs 6 lakh for Jagruti Shivar Yojana and Rs 15 lakh for Consumer Awareness Programme; the amounts were not released by GOI as of August 2005.

3.1.26 Setting up of consumer clubs in school

For setting up of 500 consumer clubs in schools in the State, Central grant of Rs 50 lakh was received in March 2005. This amount was paid (March 2005) to 13 voluntary consumer welfare organisations in 12 districts to establish consumer clubs in the schools. The status of creation of consumer clubs was not available on record (May 2005).

3.1.27 Celebration of World and State Consumer Day

For celebration of World and State Consumer Day, the State Government accorded (October 1995) a permanent sanction for incurring expenditure of Rs 8.50 lakh each year from the Maharashtra Consumer Protection Guidance Fund. It was noticed that no expenditure was incurred during 2000-02 and 2004-05. Expenditure of Rs 8.06 lakh only was incurred during 2002-04 on distribution of posters and charts of consumer awareness.

ORG-MARG findings indicated that although 87 *per cent* of the consumers gave importance to knowing the Act, 62 *per cent* were not aware of consumer rights and 71 *per cent* were unaware of the Act. Further, although the Act was

envisaged to benefit all consumers in urban and rural areas, only 5 per cent of rural population had heard about the Act.

Study by the ORG-MARG revealed that 70 per cent of consumers responded that either the Government was not doing enough to safeguard the consumer rights or they were not aware of such efforts made by the Government.

3.1.28 Establishment of District Consumer Information Centres (DCICs)

The District Consumer Information Centers were not established though funds were available

For establishment of DCICs, financial assistance of Rs 5 lakh per centre, over a period of three years was to be given to Zilla Parishads (ZPs) / Voluntary Consumer Organisations by GOI for creation of awareness of consumer rights among the people. As envisaged in the scheme, 20 per cent of the districts were to be covered in each year. Although the State Government asked (August 2000) 14 selected ZPs to send proposals for setting up of DCIC, Government received proposals from only six ZPs which were sent to GOI in April 2004. The proposals are yet to be approved. Thus, the DCICs could not be established in the selected districts resulting in non-achievement of the objectives of the scheme.

ORG-MARG findings indicated that a large number (47 per cent) of the consumers have come to know about the Act only in the last two to three years, whereas the Act has been in existence for 19 years.

3.1.29 Impact evaluation

An independent evaluation of the efficiency of adjudication mechanism and degree of consumer satisfaction achieved could indicate the corrective steps for streamlining the existing system. No evaluation of the implementation of the Act through independent agency was, however, carried out by the Government as of August 2005. The Government stated (May 2005) that the redressal agencies under the administrative control of the National Commission and the State Commission are independent and hence the question of evaluation does not arise.

3.1.30 Conclusion

The adjudication mechanism, though in place, had not served the purpose of providing speedy and inexpensive redressal to consumer grievances. Redressal agencies suffered from infrastructure constraints and manpower shortages resulting in huge pendency in redressal of consumer grievances. Incidence of pending cases of compensation was high mainly due to lack of co-ordination among the executing agencies in the Government. Various schemes designed for spreading consumer awareness were not implemented properly. Lack of awareness of the consumer rights and provisions of the Consumer Protection Act was a major factor in inadequate implementation of the Act.

3.1.31 Recommendations

- Government should provide adequate funds for strengthening the infrastructure of the consumer courts. Newly created District Forums should be made functional immediately.
- An officer of the level of *Tahsildar* should be designated in each district and made responsible for execution of decree cases referred by the consumer forums.
- Government should use electronic and print media for spreading awareness of consumer rights with special focus on rural areas.
- The location of redressal agency with their names and contact numbers and required registration fees should be prominently displayed in important public places.

HOME DEPARTMENT

3.2 Modernisation of Police Force

HIGHLIGHTS

For increasing the efficiency and effectiveness of the State police forces, the scheme of Modernisation of Police Force, already in vogue, was revamped with increased allocation from 2000-01. It was proposed to increase the operational efficiency of the State police forces to enable them to meet the challenges of the fast changing internal security environment and law and order situation of the country. The scheme with increased outlays from 2000-01 onwards was unable to improve operational efficiency in meeting the changing law and order situation, crime detection, reduction in response time, early settlement of crime cases and augmenting training facilities. Some of the important points are highlighted below:

Due to slow progress of the programme, total programme fund for 2000-05 was reduced from Rs 877.45 crore to Rs 708.27 crore by the Government of India. Consequently, the State Government could not avail Rs 97.51 crore.

(Paragraph 3.2.8)

Instances of delay in receipt, delay in installation and idling of equipment ranging between three and 39 months resulting in blocking of funds of Rs 11.31 crore were noticed. Pending cases for analysis in Forensic Science Laboratories increased by 67 per cent in the last five years.

(Paragraphs 3.2.14 and 3.2.15)

Forty seven out of 54 works of staff quarters, administrative buildings and other works remained incomplete for a period ranging between one and three years after incurring an expenditure of Rs 41.46 crore.

(Paragraph 3.2.10)

Due to lack of approach road, proper land and change in site, 164 quarters and 15 works remained incomplete after incurring an expenditure of Rs 8.23 crore. Besides, 488 completed quarters (out of 983) remained vacant as they were away from work place and for want of electricity and water.

(Paragraph 3.2.10)

There was no reduction in crime detection cases and also the average response time had not improved.

(Paragraph 3.2.19)

No evaluation study was conducted by the State Government to assess the impact of the scheme.

(Paragraph 3.2.20)

3.2.1 Introduction

Duties of police force are wide ranging and cover nearly every facet of social and economic misdemeanour. To accomplish this difficult and daunting task, the technical and technological resources that could augment their efforts were mostly rudimentary and obsolete¹. The scheme of Modernisation of Police Force (MPF) as introduced by the Government of India (GOI) to improve the efficiency of State police force was implemented (1969) on a continual basis. The scheme was revived from April 2000 for a period of five years upto March 2005 with enhanced allocation of Rs 921 crore to be continued for a further period of five years upto March 2010. The scheme comprised eight components namely mobility, equipment, communication, training, weaponry, housing, buildings and computerisation.

3.2.2 Scheme objectives

The main objectives of the scheme were to:

- improve operational efficiency of the police force to enable them to meet the challenges of the fast changing internal security environment and law and order situation;
- improve the efficiency of crime detection;
- upgrade police stations to achieve reduction in response time to crime;
- construct quarters for police personnel and administrative buildings;
- achieve reduction in delays in submission of analytical reports to enable settling of crime cases early by strengthening forensic laboratories;
- equip the intelligence wing in the Police Department with advanced equipment and revamp their working and
- augment training facilities.

3.2.3 Organisational set-up

Principal Secretary, Home Department is responsible for implementation and monitoring of the scheme. The scheme is implemented in the State through the Director General of Police (DGP), the Commissioner of Police (CP), Mumbai, the Director, Forensic Science Laboratory (FSL), Managing Director, Maharashtra State Police Housing and Welfare Corporation (MSPHWC) and the Commandant General, Home Guards (HG).

3.2.4 Audit objectives

As the revived scheme was initially for a five-year period ending March 2005, audit scrutiny was conducted with a view to express an opinion on the economy, efficiency and effectiveness in the implementation of the scheme. The objectives of audit were to assess whether:

¹ Saraf Committee Report

- planning was adequate and comprehensive indicating various components to be implemented and priorities set with target dates for completion and budget allocations were made;
- modernisation of the critical policing processes of investigation and forensic analysis led to improvement in crime detection rate;
- upgradation of police stations had resulted in reducing response time to crime;
- equipment procured were installed and put to optimal use;
- infrastructure such as administrative buildings and quarters were completed and utilised;
- communication had improved; and
- training facilities provided were sufficient.

3.2.5 Audit criteria

The scheme was taken up for performance audit in the backdrop of the Report of the Committee on Police Reforms, 2000 (Padmanabhaiah Committee), the Maharashtra Administrative Reforms Committee (MARC) Report, 2002 and the Saraf Committee Report, 2002. No criteria were adopted by the Department to monitor performance. In August 2004, the Ministry of Home Affairs fixed certain parameters for assessment of the scheme. The following are the important criteria adopted for arriving at audit conclusions.

The perspective plan was assessed with reference to annual plans, annual expenditure and progress reports of physical progress of various components. The functioning of the Forensic Science Laboratories was evaluated with pending cases and time taken for analysis of samples. Response time was analysed with reference to actual time taken by the police personnel to reach the crime site. The crime detection rate was assessed with reference to pending cases.

3.2.6 Audit methodology and scope

Audit for the period 2000-05 was carried out between March 2005 and July 2005 through test check of the records at the offices of Home Department, DGP, CP (Mumbai), Director, FSL, MSPHWC and Commandant General, HG.

In addition, the records of four* Commissionerates out of nine, seven* Superintendents of Police (SP) out of 35, seven* groups of the State Reserve Police Force (SRPF) out of 13, eight* Police Training Institutes out of 12, three RFSLS[§] out of four² and 30 police stations out of 923 in seven* out of 35 districts were also test checked.

As major procurement for the scheme was made at Mumbai by DGP, CP, FSL and HG and materials were delivered at district places, one district each from six revenue divisions and an additional district out of naxalite affected areas were selected for random test-check.

The audit plan including the audit objectives and criteria was discussed in the entry conference (May 2005) and audit conclusions were discussed in the exit conference (November 2005). Views of the Government expressed during the discussion or otherwise communicated in writing have been incorporated in the review.

Audit Findings

3.2.7 Planning

Considering the approval in principle by the GOI for Rs 921 crore for the plan period of five years, the State Government approved (September 2001) a perspective plan to the tune of Rs 877.09 crore. As the annual plan for 2000-01 was already approved (March 2001) and the financial year was over, a four year perspective plan was sent (October 2001) by the State Government for approval. It was, however, seen that annual plans did not flow from the perspective plan but separate requirements were called for from the implementing agencies in spite of existence of the approved perspective plan by the State Government. It was seen in audit that the perspective plan prepared was not comprehensive enough containing targets indicated in physical and financial terms. During 2001-04, supplementary plans were sent for approval by the GOI during the month of March of the relevant years. All this added to the delay which ranged between five and twelve months in approval of plans by the GOI.

Government in the exit conference (November 2005) agreed that some outcome goals as far as measurable should be worked out.

* Nagpur, Nashik, Pune and Thane

* Buldhana, Gadchiroli, Latur, Nagpur, Nashik, Pune and Thane

* Group I, II, IV, V, VIII, XI and XIII

* Marol, Nagpur, Nanveej, SRPF Nanveej, MPA & DTS Nashik, SPU Pune, UOTC Nagpur

§ Nagpur, Nashik and Pune

² RFSL Aurangabad, Nagpur, Nashik and Pune

* Buldhana, Gadchiroli, Latur, Nagpur, Nashik, Pune and Thane

3.2.8 Financial management

During 2000-03, funds provided by the Central and the State Governments for the scheme were in the ratio of 50:50. The funding pattern was modified based on categorisation of the States by the GOI and the ratio was changed to 60:40 between the Central and the State Governments from the year 2003-04. The Central share was to be in the form of stores. A maximum of five *per cent* of the total allocation was to be provided to the Home Guard from the year 2003-04 for incurring expenditure on all components except housing.

The details of plan approved, funds released by the GOI, share of the State and expenditure incurred under the scheme during 2000-05 were as under:

(Rupees in crore)								
Year	Annual Plan approved by GOI	Central share	Opening Balance	Funds released by GOI	Share of State Government	Total available funds	Expenditure during the year	Closing Balance
2000-01	166.20	83.10	-	83.10	83.10	166.20	90.04	76.16
2001-02	194.10	97.05	76.16	92.10	92.10	260.36	153.63	106.73
2002-03	164.86	82.43	106.73	67.40	67.40	241.53	146.66	94.87
2003-04	173.42	104.05	94.87	62.84	41.89	199.60	102.27	97.33
2004-05	178.87	107.32	97.33	71.00	47.34	215.67	161.51	54.16
Total	877.45	473.95		376.44	331.83		654.11	

Due to slow progress of programme, the State Government could not avail GOI grant of Rs 97.51 crore

Against sanction of Rs 877.45 crore for five annual plans, GOI share was Rs 473.95 crore. Due to slow progress of the programme, GOI released only Rs 376.44 crore and the total programme fund was reduced to Rs 708.27 crore during 2000-05. Thus, the State Government could not avail the GOI share of Rs 97.51 crore of the approved plan so far (July 2005). It was noticed that in the years 2000-01, 2003-04 and 2004-05, as against the total Central release of Rs 216.94 crore, proportionate expenditure incurred was Rs 186.49 crore which necessitated revalidation of Rs 30.45 crore in the subsequent years.

The details of component-wise and year-wise expenditure are given in **Appendix XXXIII**.

Programme management

Housing and buildings

The expenditure incurred under housing and buildings during 2000-01 to 2004-05 was Rs 260.50 crore.

The State Government felt that the 81,806 quarters (*57 per cent*) available for a staff strength of 1,44,288 was not adequate. Construction of staff quarters, administrative offices and police station buildings were carried out through MSPHWC and Public Works Department (PWD). The funds for PWD works were released through MSPHWC and the progress was monitored by the user offices. In respect of works executed through MSPHWC, user offices were not involved with the execution of work.

3.2.9 Expenditure on housing inflated

Funds amounting to Rs 159.48 crore and Rs 24.42 crore were placed at the disposal of MSPHWC and PWD respectively for housing/building projects during 2001-05, against which expenditure incurred was Rs 100.42 crore and Rs 21.91 crore respectively. The State Government, however, showed the entire amount of Rs 183.90 crore received by them as expenditure even though the GOI had instructed that the funds remaining unspent with the implementing agencies should not be treated as expenditure.

3.2.10 Lack of buildings and other facilities

Out of 54 works of construction of quarters and buildings taken up during 2001-05, only seven works were completed and 47 works remained incomplete as of June 2005 after incurring an expenditure of Rs 41.46 crore. Delays in respect of 22 works in the jurisdiction of DGP ranged between one and three years and in other cases period of delay was not furnished to audit. Government stated (October 2005) that three works have been completed and the others are under different stages of completion.

Scrutiny of records in MSPHWC, PWD and the user offices revealed the following:

- Construction of 164 staff quarters in Hingoli District and 15 works of construction of police stations, administrative buildings, water works, repeater station in five[◇] districts either did not commence or remained incomplete after incurring an expenditure of Rs 8.23 crore due to lack of approach road, proper land, change in the site, change in estimate and for want of additional funds. Government clarified (October 2005)

[◇] Latur, Nagpur, Nashik, Navi Mumbai and Pune.

Forty seven works taken up during 2001-05 remained incomplete after incurring expenditure of Rs 41.46 crore

that provision for approach road for the quarters in Hingoli District has now been included in the work.

- Fifty *per cent* of personnel working in the 30 test checked police stations were not provided with quarters. They were staying at an average distance of 13 kms from the police stations. Similarly, in 20 out of 30 test checked police stations, no facilities like separate toilets, changing rooms and resting rooms for women constables were provided even though there were 85 lady police constables working in those police stations.
- In Dhule, Hingoli, Jalgaon and Solapur Districts, 1,130 quarters remained vacant for two to 11 months due to delay in handing over of the constructed quarters to the user department by MSPHWC. Similarly, 488 quarters (out of 983 constructed) in Nashik (306) and Wardha (182) Districts remained vacant as they were either away from work place and/or electricity and water connections were not given.
- The Department incurred an expenditure of Rs 74.50 lakh on payment of consultancy charges on seven projects. The projects were however subsequently cancelled. Thus, expenditure on consultancy was unfruitful.
- An expenditure of Rs 42 lakh was incurred on carrying out maintenance and repair works of 704 SRPF quarters at Mumbai even though the work was not covered under MPF scheme. Government accepted that the fund of MPF was temporarily used for repair work and would be reverted.
- The State Government accorded (February 2004) administrative approval of Rs 1.25 crore to a proposal for developing eight firing ranges out of grants under weaponry for 2003-04 and subsequently revised the original sanction in December 2004. In six districts, sanction for Rs 1.13 crore was accorded for this work and the amount was deposited with PWD. Though this sanction was revised and reduced to Rs 45 lakh, the total amount continued to remain with PWD (July 2005). Improper planning had not only delayed development of firing ranges but also resulted in blocking of funds. Government clarified that three works had been completed and the others are under different stages of completion.

Mobility

The expenditure incurred under mobility during 2000-01 to 2004-05 was Rs 156.79 crore.

During 2000-05, 5,131* vehicles were purchased to augment mobility. Of these, 1,906 vehicles were additional and 3,225 were for replacement of the old vehicles. In all, a fleet of 7,895 vehicles of different categories were under

* Motor cycle-1485, light van-2885, Big Van-179 and others-582,

the control of various offices of the DGP and CP, Mumbai for various purposes as of March 2005.

3.2.11 Deployment of vehicles

Fourteen per cent of additional vehicles and 31 per cent of replacement vehicles were only allotted to the police stations

A total of 804 vehicles were received (236 additional and 568 for replacement) during 2000-05 in seven[^] districts test checked. Though 164 additional vehicles were provided in seven offices of five districts, no additional drivers were provided without which simultaneous deployment of vehicles would not be possible. Out of 236 vehicles, 66 per cent were deployed for *bandobast*, highway security and CID branch, 18 per cent were retained with SP/CP offices and only 14 per cent vehicles were provided to the police stations. Similarly, out of 568 vehicles received as replacement, 44 per cent were deployed for *bandobast*, 25 per cent retained with the SP/CP/SDPO offices and only 31 per cent vehicles were utilised for replacement in the police stations which shows that police stations were not given priority in allotment of vehicles. As mobility has a direct relation to response time, deployment of more vehicles at the police stations in a planned manner would have resulted in improvement of response time.

3.2.12 Response time

Information for the months of December 2000 and 2004 regarding response time* in respect of crimes pertaining to Indian Penal Code was collected by audit from 118 police stations in the jurisdiction of six SP offices and three CP offices and the average response time (ART) was calculated as detailed in the **Appendix XXXIV**. The ART of 118 police stations worked out to 156 minutes which was far from satisfactory. It was also noticed that in 54 police stations (46 per cent) of the 118 police stations where additional vehicles were not deployed response time had deteriorated.

The Saraf committee opined that fixing of maximum response delay time is necessary to induct a sense of purpose and direction and recommended a maximum response delay time of five minutes. Audit exercise to assess and compare the police response time from the log books of control rooms and crime registers of police stations was futile as the records therein did not have sufficient data to enable such analysis.

Government stated (October 2005) that there is substantial improvement in response time. The reply is not tenable as this aspect has not been monitored by the Department.

[^] SP offices of Buldhana, Gadchiroli, Latur & Nagpur and CP offices Nagpur, Nashik, Pune & Thane

* total time taken from the time of receiving message / making First Information Report to the time of the police person actually reaching the crime scene

Strengthening of Forensic Laboratories

The expenditure incurred under strengthening of forensic laboratories during 2000-01 to 2004-05 was Rs 48.38 crore.

3.2.13 Functioning of Forensic Science Laboratories (FSL)

Forensic Science Laboratories were providing technical assistance to the Police Department by analysing samples received/collected from the crime site. The FSL and RFSLs are yet to obtain accreditation and had started the process of obtaining the same. The following irregularities were noticed.

3.2.14 Pending cases

Pending cases for analysis increased by 67 per cent

Analysis report is required to be submitted within a month. It was seen that reduction in pendency as envisaged under the scheme was not achieved as cases pending for analysis increased by 67 per cent from the year 2000-01 to 2004-05. Average time taken for analysis in July 2000 by toxicology division and by biology-serology division was 28 to 100 weeks and seven to 36 weeks respectively. The position did not improve in July 2004, as average time taken by toxicology division and by biology-serology division was 18 to 102 weeks and five to 54 weeks respectively. The Department attributed the increase in pendency to shortage of technical manpower. As no recruitment was made, the number of vacant posts increased from 107 in 2000 to 284 as on January 2005.

The Government clarified (October 2005) that increase in pendency was due to vacant posts which would be filled in within two-three months and the reports could be issued within a month by 2006.

3.2.15 Utilisation of forensic equipment

Audit scrutiny revealed that there was delays in receipt of the forensic equipment ranging from three to nine months and their installation by 10 to 39 months. Even after installation, 19 items of equipment valued at Rs 6.70 crore which were procured between May 2002 and November 2004 remained idle for 19 months. Details are shown in **Appendix XXXV**.

It was also noticed that 45 items of equipment procured at a cost of Rs 17.46 crore and installed at four³ laboratories, as detailed in **Appendix XXXVI** generated on an average less than one report per machine per month from the date of their installation to March 2005.

Government stated (October 2005) that a sample may need repeated analysis and the use of such sophisticated equipment improves quality and quantity of analysis would depend on the number of cases received. The clarification is

³ Aurangabad, Mumbai, Nagpur and Pune

too general in nature and the fact remains that the department had not conducted any evaluation on the efficiency of utilisation of equipment procured. Government in the exit conference informed that YASHADA[♥] was requested to carry out the evaluation.

Six out of above 45 equipment procured at a cost of Rs 2.56 crore and installed in three[•] laboratories between May 2002 and October 2004 did not generate any report. Government replied (October 2005) that though reports were generated no records were maintained. In the exit conference Government agreed to issue instructions for maintaining the log books for major equipment.

Eight[♦] mobile crime units procured (May 2004) at a cost of Rs 94.80 lakh for collection of samples from the crime site were underutilised as these eight units were used only on 11 occasions from their arrival till May 2005. Government clarified (October 2005) that staff for these units have been sanctioned and recruitment is in progress. The reply is not tenable as the procurement of vehicles should have succeeded the recruitment of manpower for its utilisation.

It was seen that CP Mumbai also procured three investigation vans at a cost of Rs 36.63 lakh for collection of fingerprints and photographs from the site. By proper co-ordination, same vehicle could have been fitted with equipment for all types of investigations.

Equipment

The expenditure incurred under equipment during 2000-01 to 2004-05 was Rs 42.87 crore.

3.2.16 Idling of equipment

Eighty items of equipment like Steering Wheel Clamps, Laser speed check Guns, FACTS-4, Automatic Blood Analyser and Laser speed check Guns were procured at a cost of Rs 4.61 crore as detailed in **Appendix XXXVII** and supplied to the subordinate offices between July 2000 and September 2004. Scrutiny of the records in the respective offices revealed that the equipment remained idle for periods ranging from five to 58 months for want of repairs.

A cohesive network for the benefit of investigation of crime and for transmission of crime and criminal data, finger prints, image, photograph and facsimile throughout the country was envisaged by March 2005 in the Police Network (POLNET) programme by GOI. The primary application of the

[♥]A Government Training Institute

[•] Aurangabad, Mumbai and Nagpur

[♦] Aurangabad (1), Mumbai (2), Nagpur (2), Nashik (1) and Pune (2)

Equipment costing Rs 4.61 crore remained idle for periods from five to 58 months

project was to transfer data from the district headquarters to the State headquarters and secondary application was voice communication. Of the 33 Base Station Units (BSU) installed (May 2005), three had gone defective as of October 2005. Only 398 Remote Station Units (RSU) out of 850 purchased were installed and site preparation materials for the remaining 452 RSUs (cost: Rs 49.72 lakh) were lying in the central stores at Pune or in the stores of SP/CP office. Thus, the POLNET equipment were not being utilised and more importantly the primary objective of criminal data transmission is yet to be achieved. In order to have optimum coverage, sixty additional BSUs were required which are still to be provided by GOI.

Computerisation

The expenditure incurred under computerisation during 2000-01 to 2004-05 was Rs 9.59 crore.

Computerisation can play a vital role in detection and investigation of crime and in making police work quicker and more efficient. It was noticed that there was no planned, coordinated and well-directed effort to allow utilisation of computer facilities as could be seen from the succeeding paragraphs.

3.2.17 Computerisation of police stations

It was noticed in audit that in four[#] SP offices computers were not supplied and no personnel were trained though SP, Buldhana and Latur had submitted proposals for computerisation of police stations. In two[♥] offices of CPs though computers were supplied to all police stations, no software was developed to work on them.

Thus, computers had not been supplied to all the police stations. Even where the computers were there, those were being used for word-processing purposes. There was no proposal yet (October 2005) to introduce relevant software to improve efficiency of report writing, diarising of events, online registration of crime, storing and retrieval of information which made up the chief tasks at the police stations.

Training

The expenditure incurred under training during 2000-01 to 2004-05 was Rs 5.98 crore.

3.2.18 Scrutiny of the records in five[♦] out of eight training centers revealed that as against a target of 24,546, only 16,961 police personnel (69

[#] Buldhana, Gadchiroli, Latur and Nagpur

[♥] Nagpur and Nashik

[♦] Daund (2), Marol, Nagpur and Nashik

per cent) were trained during 2000-04. Though intake capacity of the schools was raised from time to time there was no increase in manpower or infrastructure. Thus, no impact of the scheme was felt except procurement of some equipment like simulators, multi-media projectors and televisions.

A portable explosive X-ray machine costing Rs 11 lakh was supplied (August 2004) to the Special Protection Unit, Pune. It was not even demonstrated to the trainees as no training was given to the instructors of the training unit.

In three* districts test checked, as against the targets of 189 training camps to be conducted by the District Commandants, Home Guards (HGs) to impart training to 15,794 HGs during 2000-2004, only 49 camps were conducted covering 2,852 HGs. Impact of this scheme was not analysed by the Department in the district training centres where the training camps were conducted.

3.2.19 Crime detection statistics

Pendency in crime cases increased by 68 per cent

One of the objectives of modernisation was to enhance crime detection. Despite the scheme being in operation for five years, pendency in crime cases registered an increase of 68 *per cent* from the beginning of 2000 (76742) to the end of 2004 (1,12,039), though average number of crimes registered did not vary considerably. It was also noticed that there was decreasing trend in the number of finger prints received for matching. As against 2.62 lakh finger prints received in 2000 for matching, the number of finger prints received in 2004 was 1.75 lakh. This reduction of over 33 *per cent* is an indicative that the investigating officers are not lifting prints and are becoming less dependent on finger prints for investigation in most of the cases. It was also seen that the number of visits to crime sites made by FSL personnel had decreased from 1,642 in 2000 to 1,188 in 2004. FSL attributed this reduction to shortage of manpower.

Government clarified (October 2005) that even though there was increase in the population, industrialisation, terrorism and unemployment, the registered crimes had remained steady or marginally decreased.

3.2.20 Monitoring and evaluation

Evaluation study to assess the impact of the scheme was not conducted

The Government had set up a High Power Committee under the Chairmanship of the Chief Secretary and a review committee under the Chairmanship of the Additional Chief Secretary for monitoring the physical and financial progress of the programme and its periodical evaluation.

During the period of five years ending March 2005, the Committee met five times only to finalise and submit annual plans to the GOI. Thereafter no monitoring was conducted by the Committee. As a result, planning and

* Buldhana, Gadchiroli and Pune

budgeting was not meticulously coordinated with the implementation of the programme. The MPF cell in the office of the CP acted only as a central purchase agency. This affected the efficient implementation of the scheme.

Though the scheme was in operation for the last five years, no evaluation study of the scheme was undertaken to assess the impact of the scheme. The State Government stated (March 2005) that they were still in the process of engaging a Government agency for conducting evaluation.

3.2.21 Conclusion

Though the scheme was revamped with increased outlay, the progress of implementation was slow mainly due to slow pace of spending. There was delay in finalising supplementary annual plans. The forensic laboratories could not utilise the sophisticated equipment purchased for want of trained manpower. Pendency in analysing the samples increased considerably. Vehicles procured were mostly deployed for *bandobast*; as a result police response time to crime did not improve. Most of the proposed housing and building projects could not be completed depriving the police personnel of the benefits envisaged. Computers had not reached all the police stations. Training infrastructure is not adequate to support the increased intake capacity of training schools. There was lack of monitoring of the implementation of the scheme.

3.2.22 Recommendations

Government should consider implementing the following recommendations.

- A citizens' charter committing the police to a specific response time for urgent and non-urgent calls should be promulgated.
- A review of installation, commissioning and utilisation of all the equipment should be taken and action taken accordingly to overcome the deficiencies.
- Steps should be taken to ensure that the vacant residential quarters are occupied.
- Optimum utilisation of forensic laboratories should be ensured by provision of trained manpower.
- Deployment of vehicles and manpower for Law and Order and *bandobast* should be in tune with the objectives of the scheme.

HOUSING DEPARTMENT

3.3 National Slum Development Programme

Highlights

Government of India introduced the National Slum Development Programme in 1996-97 for upgradation of urban slums. The funds under the scheme were allocated to the States in proportion to urban slum population. The State Government, however, decided (June 1998) to implement the NSDP in 50 cities having population of 50,000 and above where the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971 was in force. Audit scrutiny revealed that there was lack of necessary data for assessing the requirement of basic amenities in the slums leading to insufficient planning. Regional Boards approved works based on incorrect slum population resulting in excess payment to Urban Local Bodies and unspent balances were lying with the nodal agency, Maharashtra Housing and Area Development Authority.

Programme funds of Rs 65 crore was lying unutilised with Maharashtra Housing and Area Development Authority as of 31 March 2005.

(Paragraph 3.3.9)

Though Mumbai had 52.60 *per cent* of total slum population of the State, 69.10 *per cent* of National Slum Development Programme funds were allotted to the Mumbai Slum Improvement Board. As of March 2005, excess release was Rs 71.66 crore.

(Paragraph 3.3.9)

Due to levy of 15 *per cent* centage charges by the Maharashtra Housing and Area Development Authority, contrary to the guidelines, the beneficiaries were deprived of the basic amenities costing Rs 36.77 crore.

(Paragraph 3.3.11)

Popular contribution at the rate of 2.5 *per cent* of the value of the works recoverable from the beneficiaries amounting to Rs 1.77 crore was not recovered by the implementing agencies.

(Paragraph 3.3.12)

Approval to works/reimbursement of expenditure based on incorrect slum population resulted in excess payment/excess release aggregating to Rs 15.56 crore to the implementing agencies.

(Paragraph 3.3.15)

Contrary to Government of India instructions, expenditure of Rs 1.43 crore was incurred on inadmissible works such as beautification of lakes and construction of gymnasium.

(Paragraph 3.3.16)

Expenditure of Rs 4.77 crore incurred for providing basic amenities at the relocated sites for the slum dwellers rendered infructuous due to reluctance of the slum dwellers to shift to the relocated places.

(Paragraph 3.3.17)

3.3.1 Introduction

Government of India (GOI) introduced the National Slum Development Programme (NSDP) in 1996-97 under the Special Central Assistance to the State for upgradation of urban slums. The funds under NSDP were allocated to the State on the basis of urban slum population* of the State. The State Government implemented (October 1999) NSDP in 61 cities having population of 50,000 and above as per 1991 census. Nineteen more cities having population of 50,000 and above as per 2001 census were also brought under the NSDP in October 2004. The scheme was not implemented in 14 of the 61 cities and the additional 19 cities included in 2004 because they did not submit their work proposals to the respective Regional Boards.

The main components of NSDP were to provide basic amenities such as toilet, drainage, water tap and street lights to the eligible slum dwellers social amenities such as community centers, balwadis, health centers to the eligible slum dwellers and housing to slum dwellers.

3.3.2 Organisational set-up

Initially in 1998, the NSDP was implemented by the Urban Development Department. Subsequently, from October 1999 NSDP was implemented by the Housing Department (HD). The Maharashtra Housing and Area Development Authority (MHADA) headed by the Vice-President and the Chief Executive Officer was declared as the nodal agency for implementation of NSDP. The Regional Boards (RB) headed by the Chief Officers assisted the MHADA. Actual implementation of NSDP at district level was carried out by the urban local bodies (ULB), namely Municipal Corporations and Municipal Councils headed by the Commissioners and Chief Officers. In Mumbai, the NSDP was implemented by the Mumbai Slum Improvement Board (MSIB), a unit of MHADA.

3.3.3 Audit objectives

The overall objective of audit examination was to assess whether:

- adequate and sufficient information was available with the Government for formulation of policy and implementation of the programme;
- distribution of funds to the ULBs were approved by the Government in time for smooth implementation of the programme,
- slum improvement works were recommended through Community Development Societies;
- the works under the schemes were approved as per guidelines of the NSDP and

* 14.26 per cent of total urban slum population of India as per 1991 census

- the monitoring system evolved and envisaged in the programme was adequate.

3.3.4 Audit criteria

The audit criteria, against which the evidences were tested for arriving at the audit finding and conclusion were as under:

- Government policy decisions regarding implementation of NSDP and details of eligible slum population in corporations/councils with Government/nodal agency.
- Synchronisation of timely transfer of funds down to the implementing agencies.
- Adherence to the procedures for preparation, submission of plan and estimates by the urban local bodies.
- Observance of guidelines/instructions for administrative approval to the proposals and financial management.
- Existence of mechanism to co-ordinate, monitor the implementation and evaluate the performance of programme.

3.3.5 Scope of audit and methodology

A review of the implementation of the NSDP covering the period 2000-05 was conducted during March to June 2005. An entry conference was held in May 2005 with the Principal Secretary, Housing Department, Vice-President and Chief Executive Officer, Chief Engineers and Finance Controller of MHADA. Records in the Housing Department, MHADA, four out of six Regional Housing Board offices, the Executive Engineer (East) under MSIB alongwith 14[#] out of 47 ULBs, where the NSDP was implemented, were test checked to assess the adherence of the GOI guidelines, State Government orders and administrative instructions issued by the nodal agency for programme implementation. The exit conference was held with the Principal Secretary to the Government in October 2005. The review has been finalised after considering the views of the Government. The results of test-check are detailed in the succeeding paragraphs.

Audit findings

3.3.6 Formulation of policy

The most important characteristic of slum is the absence or inadequacy of basic and social amenities and unhygienic conditions. Considering the magnitude of the issue, the State Government enacted Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act and notified the specified areas in cities as slum and decided (1971-72) to provide basic

[#] Municipal Corporations: Aurangabad, Kalyan-Dombivli, Nagpur, Nanded, Pimpri-Chinchwad, Pune, Solapur, Thane and Ulhasnagar.
Municipal Councils: Barshi, Gondia, Hinganghat, Kamptee and Latur.

amenities such as water supply, latrines, street lights, roads and drainages for slum dwellers under the Slum Improvement Programme (SIP). GOI guidelines on NSDP did not contain any eligibility criteria of slum dwellers or any cut-off date for consideration. The Government, however, decided (October 1999) to provide the facilities under the NSDP to those slums which were in existence on or before 1 January 1995 (in the cities with population of 50,000 and above as per 1991 census). Eligible slum dwellers were to be issued with photo passes by the competent authorities to provide as a proof of their habitation on or before 1 January 1995.

As there were no up-to-date figures as on 1 January 1995 of eligible slum population for implementation of the NSDP, the Government issued (May 2001) directives to the Additional Collector (Encroachments) to increase the available number of eligible slum population of 1985 by 25 *per cent*. The survey and identification of eligible slum population in Mumbai and two Councils in Achalpur and Latur was completed as of June 2005. Details in respect of 58 ULBs called for in June 2005 were awaited. Thus, fund allocation by the State Government and the MHADA to the implementing agencies was based on unconfirmed slum population in the ULBs.

It was also noticed that the State Government and the MHADA did not have the data for assessing the basic amenities required in the slum areas.

Financial management

3.3.7 Funding pattern

The State Government released funds to urban local bodies on 100 *per cent* grant basis

The funds for the NSDP were allocated by the GOI to the States in proportion to urban slum population and released 70 *per cent* as loan and 30 *per cent* as grants. The State Government, however, decided (October 1999) to release the funds for the NSDP as 100 *per cent* grants to the ULBs on the basis of the eligible urban slum population as on 1 January 1995. The State Government released the funds to the MHADA who communicated allocation of funds in respect of the ULBs to their respective Regional Boards (Regional Boards) and released the funds to the Regional Boards as per demands for actual payment and reimbursement for the ULBs.

Neither MHADA nor the Boards maintained *Pro forma* Accounts

MHADA and its Regional Boards did not maintain the *pro forma* account as required under the guidelines issued by the State Government. Consequently, flow of funds from the State Government to the MHADA and utilisation of funds under the scheme could not be analysed so as to ascertain proper management of the scheme funds. The MHADA stated (March 2005) that the State Government entrusted different programmes to the MHADA. It was, therefore, not practically possible for the MHADA to maintain cash book/*pro forma* account for fund received for each and every programme. The reason attributed was not tenable because in the absence of *pro forma* account the

accuracy of the receipt and expenditure under the scheme was neither susceptible for verification nor reliable.

3.3.8 Releases by the State Government

The State Government lost Rs 100.17 crore of NSDP funds due to underutilisation

The year-wise release of funds by the GOI, funds released to the MHADA by the State Government and the closing balance with the State Government during 2000-05 were as under:

(Rupees in crore)

Year	Opening balance with State Government	Annual release by GOI	Total fund available with State Government	Release by State Government to MHADA	Closing balance with State Government
2000-01	182.64*	12.49	195.13	119.88	75.25
2001-02	75.25	--	75.25	40.00	35.25
2002-03	35.25	55.00	90.25	47.00	43.25
2003-04	43.25	55.00	98.25	92.23	6.02
2004-05	6.02	102.19	108.21	96.64	11.57
Total		224.68		395.75	

* Total GOI release upto 31 March 2000 was Rs 193.02 crore and total expenditure on the date was Rs 10.38 crore.

Due to underutilisation of funds upto March 2000, the GOI discontinued the release of funds to the State Government from July 2000 to March 2002. Consequently, the State Government could not avail the Central assistance of Rs 100.17 crore during the period.

3.3.9 Balances with the MHADA

The year-wise funds received by the MHADA, the nodal agency, expenditure incurred and closing balance with the MHADA during 2000-05 were as under:

(Rupees in crore)

Year	Opening balance with MHADA	Release by State Government to MHADA	Total fund available with MHADA	Expenditure by MHADA	Balance with MHADA
2000-01	-10.69 [♣]	119.88	109.19	27.68	81.51
2001-02	81.51	40.00	121.51	77.07	44.44
2002-03	44.44	47.00	91.44	74.57	16.87
2003-04	16.87	92.23	109.10	72.45	36.65
2004-05	32.65	96.64	133.29	68.29	65.00
Total		395.75		320.06	

♣ MHADA incurred excess expenditure of Rs 10.69 crore in the previous year which is adjusted in 2000-01.

Receipt of funds at the fag end of the year from the State Government by the nodal agency resulted in non-utilisation of Rs 65 crore as on 31 March 2005. The releases to the Regional Boards were based on the proportion of slum population in the ULBs in the Regional Boards.

There was excess release of Rs 71.66 crore to MSIB

The eligible slum population of Mumbai was 45.60 lakh being 52.60 *per cent* of the total slum population in the State. However, 76.43 *per cent* of NSDP funds of the State were allotted to the Mumbai Slum Improvement Board, the agency implementing works in Mumbai. This resulted in excess release of Rs 71.66 crore to the MSIB. The other Regional Boards (except Aurangabad), however, received less funds than that eligible to them as per slum population.

3.3.10 Excess release of funds to ULBs

The per capita ceiling limit of expenditure to provide basic amenities to the urban slum dwellers was revised (April 1996) by the Government from Rs 500 to Rs 800. The revised ceiling was, however, not applicable to the Pune Municipal Corporation as Slum Improvement Programme (SIP) was being implemented in Pune. The Chief Officer, Pune Board accorded administrative approval in July 1997 under SIP to works costing Rs 58.40 lakh at the rate of Rs 800 per capita for the slums at Nagpur Chawl and Mahatma Gandhi Nagar, Yeravada, Pune as against the admissible cost of Rs 36 lakh. The non-observance of the prescribed ceiling resulted in excess reimbursement of Rs 22.40 lakh during 2000-02 under NSDP.

For Ulhasnagar Municipal Corporation, Government distributed funds for 4,36,678 eligible slum population. It was noticed that the Chief Officer, Konkan Board approved the funds for basic amenities for the Corporation based on 3,10,276 eligible slum population as proposed by the ULB. The urban slum population as per the 2001 census was however, 53,717. This clearly shows that the expenditure was incurred under the NSDP on the basis of varied and unreliable slum population data.

3.3.11 Recovery of centage charges by MSIB

MSIB recovered centage charges amounting to Rs 36.77 crore in contravention to guidelines

The terms and conditions approved by the Government of Maharashtra (1974), envisaged that the implementing agencies shall not receive service charges from the MHADA for supervision and execution of works. The GOI guidelines also did not envisage the levy of such charges. The MHADA, however, in June 1982 resolved to levy 15 *per cent* centage charges (establishment charges 13 *per cent*, tools and plant 1.10 *per cent* and secretarial charges 0.90 *per cent*) on slum improvement work expenditure treating it as deposit work. Accordingly, the MSIB recovered centage charges of Rs 36.77 crore (15 *per cent*) on works executed by the MSIB during 2000-05 depriving the beneficiaries of the basic amenities costing Rs 36.77 crore. The other ULBs did not levy any such charges.

3.3.12 Recovery of popular contribution

ULBs did not recover popular contribution of Rs 1.77 crore from the beneficiaries

The terms and conditions approved by the Government envisaged that the ULBs were responsible for collecting 2.5 *per cent* of the value of work sanctioned as popular contribution (beneficiary contribution) from slum

dwellers for the SIP and credit the same to the Government. Pending recovery of popular contribution, the amounts were to be deducted from reimbursement claims of the ULBs. Due to failure on the part of the implementing agencies to recover the popular contribution, the Chief Officers of the Regional Boards recovered the proportionate 2.5 *per cent* from the amounts due to the implementing agencies. The amount so deducted and retained by the six Regional Boards except the MSIB was Rs 1.77 crore based on expenditure of Rs 70.86 crore incurred under the NSDP.

3.3.13 Maintenance of *pro forma* accounts

Seven Urban Local Bodies did not maintain separate account of funds received

Scrutiny revealed that the seven test checked ULBs (Barshi, Kalyan-Dombivli, Latur, Nanded, Solapur, Thane, and Ulhasnagar) did not maintain the *pro forma* accounts of the NSDP funds amounting to Rs 36.58 crore received by them during the years 2000-05. Consequently, proper management of the funds could not be ascertained in Audit.

Programme Management

As per the State Government instructions (1974), the Regional Boards were to collect detailed information and map of the city showing slum areas to know the magnitude of the problem in respect of each city and town at the beginning of each financial year for taking up of slum improvement works. High priority was to be given where density of population was more and where basic amenities were not provided. In case, the provision of basic amenities was not feasible due to ceiling of per capita norm, priority was to be given to, in the order of latrines, water taps and streetlights.

Expenditure incurred by the MSIB and the other Regional Boards, facilities provided and population benefited during 2000-05 were as under:

Region	Mumbai	Konkan	Pune	Nashik	Aurangabad	Amravati	Nagpur
Expenditure (Rupees in crore)	229.82	24.66	9.71	5.25	14.87	4.97	11.40
Population benefited (In lakh)	28.74	3.14	1.05	0.60	1.83	0.75	2.08
Facilities provided							
Toilets (Numbers)	16412	477	2019	2057	2874	1434	1062
Water Taps (Numbers)	3677	--	734	24	2936	79	6004
Bore well (Numbers)	--	79	--	4096	1108	--	4
Pathways(Square Metre)	22443	189116	94274	54078	162655	47424	73330
Gutters(Running Metre)	293315	50322	24310	24181	59824	12392	41566
Street Light (Numbers)	71	998	269	280	1626	339	358

The Regional Boards of the MHADA paid 25 *per cent* of the approved cost of the works to the ULBs as advance on production of document relating to issue of work order and commencement of work, which was adjusted against running account bills submitted by the ULBs for reimbursement. On

production of completion certificate of works and copies of the paid vouchers, 62.5 per cent of the cost was paid. The Regional Boards released 10 per cent on production of completion certificate of works and audited statement of accounts and retained 2.5 per cent being the recovery of popular contribution from beneficiaries.

3.3.14 Works executed without involving Community Development Societies

Proposals for slum improvement works were prepared without involving the Community Development Societies

As per the GOI guidelines forwarded in November 1996, the proposals for works to be executed were to emanate from the Community Development Societies (CDS) in the form of community plan. These CDSs were to be formed from the eligible slum dwellers who were below poverty line. The Government reiterated these instructions in its order of October 1999. The MHADA, however, in its circular of March 2001 directed all the Regional Boards to implement the scheme as per its order of July 1983 which had not mentioned of any involvement of CDSs. Scrutiny of the records of the Chief Officers revealed that proposals based on which administrative approvals were issued were prepared without the involvement of the CDSs. The MHADA did not furnish any justification in this matter (October 2005).

Slum improvement works

3.3.15 Approval of works based on incorrect population figures

In four urban local bodies works were approved and funds released based on inflated slum population

The approval of the works for basic amenities and release of funds were to be restricted to the number of eligible slum population of the ULBs as on 1 January 1995. The Regional Boards, however, accorded excess approval amounting to Rs 15.56 crore based on incorrect slum population in violation of orders as discussed below:

➤ The Chief Officer, Konkan Board approved in December 2000 and reimbursed Rs 14.27 lakh in March 2001 towards basic amenities (cement concrete pathways and gutters) to three slum areas (in Thane Municipal Corporation) based on 1985 population. In January 2003 the Chief Officer, Konkan Board accorded revised sanction for the same basic amenities to the same three slums due to increase in population as on 1 January 1995. The slum population of the above three areas for which the approval was accorded in December 2000 and March 2001 was to be reduced while according the revised sanction. It was noticed that while reimbursing (February 2004) the amount against the subsequent sanction, the earlier payment of Rs 14.27 lakh made against the original sanction of December 2000 and March 2001 was not adjusted. This resulted in excess payment of Rs 14.27 lakh. The reply from the Chief Officer was awaited (August 2005).

➤ The Chief Officer, Konkan Board approved slum improvement works for 2.24 lakh population of 53 slums in May 2001 and for 2.13 lakh population of 64 slums in January 2003 at total cost of Rs 27.63 crore in Thane Municipal

Corporation. Eligible slum dwellers as of 1 January 1995 considered by the State Government for distribution of NSDP funds was 2.88 lakh. This resulted in excess payment made to the extent of Rs 11.92 crore.

➤ The slum population of Latur Municipal Council as on 1 January 1995 considered by the Government for allocation of NSDP fund was 17,000. The Aurangabad Board, however, reimbursed Rs 3.89 crore between 2000 and 2005 based on 48,625 urban slum population stated by Latur Municipal Council. Thus, excess payment made to the ULB was Rs 2.53 crore (Rs 800 x 31,625).

➤ As against 2,566 urban slum population of Kulgaon-Badlapur Municipal Council as on 1 January 1995, the Konkan Board approved in January 2004 basic amenities costing Rs 58.21 lakh for 6,355 slum population. The Chief Officer, however, released Rs 14.55 lakh in February 2005 as 25 *per cent* advance payment against the approved cost of Rs 58.21 lakh. This resulted in excess approval of works to the extent of Rs 37.68 lakh and excess release of funds of Rs 13.21 lakh.

➤ Against the 5,533 eligible slum population as on 1 January 1995, the Chief Officer, Nagpur Board approved basic amenities for 17,037 slum population at the admissible per capita rate of Rs 800 in February 2001 to Hinganghat Municipal Council, Wardha District. This resulted in excess approval to works to the extent of Rs 84.29 lakh as noticed from the approval orders of works of the Council.

3.3.16 Works for Social amenities

Rs 1.43 crore were spent on inadmissible social amenity works under NSDP

The guidelines envisaged the provision of community centres for pre-school education, non-formal education, adult education and recreational activities under the NSDP. It was, however, noticed that Rs 1.43 crore was reimbursed on inadmissible social amenities *viz.*, beautification of lake, construction of gymnasium, purchase of medicines, bicycles to the handicapped and honorarium to trainees by the Regional Boards in Amravati, Aurangabad, Pune and the MSIB between 2001 and 2004. The MHADA did not furnish any justification for the irregular expenditure (September 2005).

3.3.17 Basic amenities work executed on relocated land

Rs 5.54 crore was incurred in two places on basic amenity work executed on relocated land not envisaged in the guidelines

The Government can under the MSA Act and in public interest, evict the protected occupiers from the dwelling structures and relocate them in alternate land. The responsibility of providing basic amenities in the relocated land rests with the Department for whom the land was acquired. The NSDP guidelines, envisaged the utilisation of funds for providing the basic amenities in notified slum areas only. The Government, however, allocated and released Rs 6 crore to the Deputy Conservator of Forest Borivali, Mumbai in November 2000 from the NSDP fund for providing basic amenities at the proposed site at Khoni and Shirdhone in Kalyan taluka, where 11,658 slum dwellers from the land of the Forest Department were to be relocated. The details furnished (July

2005) by the Conservator of Forests, Sanjay Gandhi National Park, Borivali, Mumbai revealed that the slum dwellers had refused to relocate considering the distance from the city despite the allotment of the developed plots. Consequently, the expenditure of Rs 4.77 crore incurred for basic amenities on the proposed site was infructuous. This indicated lack of planning on the part of the Government.

Government approved (March 2000) and released Rs 2.30 crore to the MHADA (Konkan Board) for providing basic amenities to the eligible slum dwellers of Sanjay Gandhi National Park, Borivali, Mumbai at the proposed relocated site. Expenditure of Rs 1.88 crore was incurred by the Konkan Board up to February 2002 which included Rs 77.26 lakh on development of land. As the NSDP funds were to be utilised only for providing basic amenities to the eligible slum dwellers, expenditure of Rs 77.26 lakh was contrary to the objective of the scheme and hence irregular.

3.3.18 Construction of toilets

The standard of basic amenities such as toilets, gutters, water taps, pathways and street lights and social amenities and the *per capita* ceiling of expenditure for these amenities, prescribed by the Government in October 1999, were as under:

(A) Basic Amenities	Amount in Rupees	Standard of amenities
Public Toilets	480	One for every 35 persons
Water Taps	64	One for every 150 persons
Pathways	128	As per requirement
Gutters	80	As per requirement
Street lights	48	One at every 30 meters
(B) Social Amenities	200	
Total	1000	

Based on 86.68 lakh urban slum population of 61 ULBs as on 1 January 1995, the requirement of public toilets and water taps as per standard norm worked out to 2.48 lakh and 0.58 lakh respectively. As against this, 1.48 lakh toilets and 0.32 lakh water taps were constructed as of March 2005.

3.3.19 Provision of houses under NSDP

The NSDP guidelines envisaged utilisation of 10 *per cent* of the funds for housing for scheduled caste, scheduled tribe and economically weaker sections of the society. The Government decided in August 2000 that houses constructed with NSDP funds would be designated as Lok Awaas Yojana (LAY) and fixed a target for construction of 50,000 houses in 60 ULBs. The Lok Awas Yojana was not implemented in Mumbai as the Slum Rehabilitation scheme was already being implemented by the Slum Rehabilitation Authority. The construction cost per house was fixed at Rs 30,000 which included grants of Rs 11,000 and Rs 10,000 for backward and non-backward beneficiary

respectively. The scheme was to be implemented by opening a joint account of beneficiary with the MHADA, to which account the amounts were to be credited. Scrutiny revealed the following points:

- Out of Rs 20 crore released (2000-05) by the State Government, the MHADA submitted utilisation certificate of Rs 18.36 crore as of March 2005. It was, however, noticed that the Regional Boards had reported utilisation of only Rs 17.42 crore. Thus, there was excess reporting of fund utilisation to the extent of Rs 94 lakh by the MHADA.
- It was noticed that out of 23,951 houses approved by the MHADA between March 2001 and December 2004 the Regional Boards could complete 7,119 houses (30 *per cent*) as of December 2004.
- The Konkan and Pune Boards earned interest of Rs 1.34 lakh and Rs 12.58 lakh respectively on the LAY fund deposited by them in the bank during March 2001 to January 2004 and remitted in October 2001 and April 2005 to the MHADA. It was, however, noticed that the MHADA retained the interest irregularly instead of crediting to LAY. Thus, not opening of a separate bank account for LAY resulted in deprival of Rs 13.92 lakh to the scheme.
- Due to poor response from the beneficiaries for implementation of LAY, the Government permitted (September 2002) diversion of Rs 33 crore from LAY to the NSDP for basic amenity works without the approval of the GOI, which was irregular.
- It was also noticed that from January 2004, Government implemented the LAY as per the Valmiki Ambedkar Malin Basti Awas Yojana scheme (another GOI scheme for housing) under which 100 *per cent* subsidy, *i.e.*, Rs 30,000 for each house was paid to the beneficiary. As a result targets under LAY was not achieved.
- The Aurangabad and Nagpur Regional Boards retained Rs 7.27 crore and Rs 8.50 crore for a period of three years between March 2001 and January 2004. The blockage of Rs 15.77 crore resulted in loss of interest of Rs 1.89 crore worked out at the rate of 4 *per cent* per year.

3.3.20 Monitoring and Evaluation

The Regional Board wise progress of expenditure against the annual allocation was discussed in the meetings held under the chairmanship of the Vice-President and Chief Executive Officer, MHADA. The MHADA in turn submitted the consolidated report to the Housing Department along with Utilisation Certificates for onward transmission to the GOI. The Chief Officers of the Regional Boards were to inspect the execution of the works by the ULBs. The Chief Officers of Aurangabad, Konkan and Nagpur Boards had never inspected the ULBs under their jurisdiction to verify the execution of works under NSDP.

The State Urban Development Authority (SUDA) at the State level was to monitor and review the implementation of the works executed by the ULBs. The District Urban Development Authority (DUDA) at district level was to monitor and coordinate the implementation of the programme by the ULBs at district level, functioning under the administrative control of the Urban Development Department. The details regarding the periodicity of meetings held by the SUDA/DUDA during 2000-05 were not available with the Department. Thus, the actual implementation of NSDP works was being done by the ULBs which were monitored by the Urban Development Department. The allocation of release of funds was being done by MHADA which was under the Housing Department.

No evaluation of the NSDP was carried out by the State Government or the MHADA (October 2005). Consequently, the quality of the assets created under the scheme had not been evaluated.

3.3.21 Conclusion

The main objective of upgradation of urban slums was not achieved because of poor financial management. There were instances of underutilisation of funds, expenditure based on incorrect data, on inadmissible works. The Government and the MHADA did not have the required data regarding the eligible slum dwellers, existing facilities and the requirement of facilities for proper planning. The Regional Boards sanctioned the work proposals without the involvement of CDSs. There was lack of monitoring of the implementation of the scheme.

3.3.22 Recommendations

- A consistent policy for improvement of the slums needs to be worked out and strategically planned and implemented in a phased manner.
- The data on existing basic amenities and works under execution in the urban slum areas should be obtained for assessing the requirement.
- Involvement of the beneficiaries and the Community Development Societies should be ensured before approval of scheme works.

The matter was referred to the Principal Secretary to Government in October 2005. Reply had not been received (December 2005).

WATER RESOURCES DEPARTMENT

3.4 Lift Irrigation Schemes undertaken by the Irrigation Development Corporations in Maharashtra

Highlights

Forty seven Lift Irrigation Schemes with an outlay of Rs 10,742.09 crore were being executed by the Irrigation Development Corporations and expenditure of Rs 2,843.94 crore was incurred upto March 2005. Performance review of 18 Lift Irrigation Schemes revealed that only three schemes were completed and the benefits achieved were negligible. The viability of the schemes was not assessed properly on account of incorrect calculation of water yield and cost benefit ratios. All the schemes were taken up for construction simultaneously without prioritisation leading to time and cost over runs and meagre returns.

Out of 47 schemes only three Lift Irrigation Schemes were completed after a delay of seven to nine years, without yielding any benefit to the farmers.

(Paragraph 3.4.16)

Water utilisation calculations were incorrect resulting in availability of less water for Lift Irrigation Scheme than envisaged in the Project Reports.

(Paragraph 3.4.7)

One hundred and fifty two pumps costing Rs 103.66 crore remained unused for two to nine years.

(Paragraph 3.4.18)

3.4.1 Introduction

The geographical area of Maharashtra is divided into five⁴ river basins. Average surface water availability in the State from these river basins is 1,63,820 Million cubic metres (MM³) of which the average water availability for irrigation is 1,12,568 MM³. Most of the water resource development in the State was through the schemes providing flow irrigation. Lift Irrigation Schemes[▼] (LISs) were resorted to because of the topographical conditions unsuitable for flow irrigation like hilly areas which are drought prone.

A typical LIS comprises storage, pump house, pumping machinery, rising main, distribution chamber and canals.

⁴ Godavari, Krishna, Narmada, Tapi, and west flowing rivers in Konkan region

[▼] A system in which water is lifted from a source to a specified height by pumps from where water is supplied for irrigation through canal.

During 1996-99, 18 LISs were transferred to four* Irrigation Development Corporations (IDCs) for expeditious execution. These Corporations were in the nature of Special Purpose Vehicles equipped to raise money from public through issue of bonds.

3.4.2 Organisational set up

The Water Resources Department is headed by the Principal Secretary who monitors the activities of the department including those of IDCs. Principal Secretary/Secretary, Water Resources and Additional Chief Secretary/Principal Secretary, Finance were members of the Board of Directors of these Corporations. The IDCs are headed by Executive Directors who monitor the activities through Chief Engineers at Regional level, Superintending Engineers at Circle level and Executive Engineers at Division level.

3.4.3 Audit objectives

The objectives of audit were to assess;

- the correctness of benefits and cost analysis;
- whether works were planned and monitored effectively;
- creation and utilisation of irrigation potential and
- the returns on investments made.

3.4.4 Audit criteria

Audit criteria adopted for collection of evidence and formulating audit conclusion are:

- departmental instructions and Central Water Commission (CWC) norms;
- execution of works *vis-à-vis* the approved plans and estimates;
- water charges leviable, actually levied and collected in respect of water utilised for irrigation and non-irrigation purpose;
- rules and regulations applicable for execution of works and
- irrigation potential actually created and utilised *vis-à-vis* the targets.

3.4.5 Audit methodology

The audit methodology included scrutiny of the records maintained in various offices, proceedings of the discussions held with the Executive, various publications brought out by the Government on the subject, outcome of the departmental seminars held and information available on Internet. The basic

* Godavari Marathwada Irrigation Development Corporation, Maharashtra Krishna Valley Development Corporation, Tapi Irrigation Development Corporation and Vidarbha Irrigation Development Corporation

information was gathered by issuing standard formats and audit queries to the selected field offices.

An Entry conference at the beginning and Exit conference after completion of the review were held with the Principal Secretary, Water Resources Department. While the Government did not agree with audit conclusions regarding calculation of cost-benefit ratio and water availability calculations, the recommendations proposed by audit were accepted by the Government at the time of exit conference.

3.4.6 Scope of audit

Mention was made in Paragraph 4.1.7(c) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 regarding Government's decision of 1978 to close the LISs taken up between 1971 and 1978 due to low irrigation potential, continuous losses and high maintenance cost. The review has not been discussed by the PAC. The Government, however, continued to sanction new LISs.

Of the 47 LISs being executed by the IDCs, 18 schemes⁵ spread over eight⁶ districts were selected for audit review, based on risk assessment with due consideration given to the locations, materiality, media reports and investments made. The review was undertaken between February and August 2005 covering the period 2000-05.

Important audit findings are discussed in the succeeding paragraphs.

Audit findings

3.4.7 Financial Management

As per information provided by the Government there were 47 LISs being executed by the four Irrigation Development Corporations (**Appendix XXXVIII**) as of February 2005. All these schemes put together had an outlay of Rs 7,576.09 crore at the time of initial administrative approval. As of March 2005, updated estimate of total outlay for all the LISs was Rs 10,742.09 crore.

Funds provided for LISs by the Corporations were to the tune of Rs 2,843.94 crore up to March 2005. The balance amount required for completion of these LISs was Rs 7,898.15 crore as of March 2005. A table indicating expenditure on LISs incurred by the IDCs during the last five years was as follows:

⁵ Bhagpur, Bodwad Parisar, Dhapewada, Ekruk, Jihe Kathapur, Karejkheda, Krishna Koyna, Kurha Vadhoda, Lower Terna, Muktainagar, Nashirabad, Shirapur, Shri Padmalaya, Sondyatola, Tajnapur, Tembhu Varangaon Talwel, and Vishnupuri

⁶ Ahmednagar, Bhandara, Jalgaon, Nanded, Osmanabad, Sangli, Satara and Solapur

(Rupees in crore)

Name of Corporation	2000-01	2001-02	2002-03	2003-04	2004-05	Total
VIDC	16.84	10.64	7.02	9.68	16.82	61.00
GMIDC	22.59	12.42	11.71	7.43	3.74	57.89
TIDC	17.34	13.27	26.87	18.58	4.66	80.72
MKVDC	423.97	168.68	128.70	145.78	435.02	1302.15
Total	480.74	205.01	174.30	181.47	460.24	1501.76

It would be seen from the table that an amount of Rs 1501.76 crore only was made available as against the amount of Rs 7898.15 crore required for completion of the LISs. Consequently, most of them remained incomplete and negligible irrigation benefits had accrued.

Time and cost over-run

Shortage of funds resulted in time and cost overrun (as of March 2005) of the LISs, as detailed below:

(Rupees in crore)

Corporation	Number of schemes	Original cost	Revised cost	Cost over-run	Time over-run
VIDC	9	46.36	385.89	339.53	1 to 9 years
GMIDC	9	52.60	451.46	398.86	1 to 9 years and above
TIDC	10	2465.04	3372.89	907.85	4 to 9 years
MKVDC	19	2806.51	6531.85	3725.34	1 to 9 years and above
Total	47	5370.51	10742.09	5371.58	

Of the 47 projects, only three LISs were completed after a delay of seven to nine years. In 14 LISs, though the administrative approval was accorded between 1997 and 2000, works were not started or were in very preliminary stage even after five to eight years.

Government while accepting time and cost over run stated (October 2005) that a Cabinet Sub Committee was constituted to keep watch on time and cost over run.

Inadequacies in planning

In view of the past experience of LISs and precarious financial condition of the State and the Corporations, it was necessary that the schemes were taken up after careful planning and prioritisation. It was, however, seen that though the IDCs were formed for expeditious completion of ongoing projects, LISs were taken up simultaneously without due prioritisation and adequate planning. The lack of prioritisation of works and lack of planning was observed in respect of the following LISs, out of the 18 test checked LISs.

3.4.8 Ekrukh LIS

Bori project dependent on Ekrukh LIS for water was completed while only five per cent expenditure was incurred on Ekrukh LIS

The LIS estimated to cost Rs 171.17 crore was to generate an irrigation potential of 21,200 hectare out of which 14,000 hectare in Akkalkot taluka was to be irrigated through Bori Medium Project, which was to receive water through Ekrukh LIS. Bori Medium Project was completed between 1997 and 2005 to the extent of 80 *per cent* after incurring an expenditure of Rs 42.78 crore and was lying unutilised for want of water due to non-completion of Ekrukh LIS as an expenditure of Rs 8.55 crore, that too only on canals, was incurred during the same period on Ekrukh LIS.

Government stated (October 2005) that water was available in Bori Dam and non-completion of Ekrukh LIS had not made any adverse effect. The reply was not acceptable as water availability of Bori Medium Project was reduced by 90 *per cent* due to upstream projects for which intra-basin transfer from Ekrukh LIS was necessitated.

Further, while calculating cost-benefit ratio of Ekrukh LIS, 14000 hectare command of Bori Medium Project was considered without considering its cost.

3.4.9 Shirapur LIS

There was no benefit to the farmers as the expenditure of Rs 25.05 crore incurred was on rising main of stage I and stage II. Instead of taking up the work of rising main of both the stages, the Department could have planned to execute stage I first so that initial irrigation potential generated in stage I could have earned revenue by way of water charges.

3.4.10 Lower Terna LIS

Despite non-availability of water, OFD works costing Rs 16.84 crore were taken up

Due to negligible quantum of water in the year 2001 (35.89 MM³) and no live storage during the subsequent years in Lower Terna Dam, no irrigation was possible. Despite this, on farm development (OFD) costing Rs 16.84 crore was taken up during 2001-05 without reasonable certainty of water availability.

Government stated (October 2005) that as the LIS was dependant on Lower Terna Dam, water yield calculations were not made separately. The fact was, however, that there was no water in the dam since 2002.

3.4.11 Vishnupuri LIS

Due to ill planning, expenditure of Rs 17.84 crore became infructuous

In view of deficiencies in water utilisation (from 11.4 thousand million cubic metres to 4.10 thousand million cubic metres), it was decided in March 2005 that irrigation potential (IP) to be created was reduced from 28,340 hectare to 19,514 hectare. As IP of 14,850 hectare was created in the phase I of canal

length from one to seven kilometres (km), the Department would be spending Rs 39.62 crore for creating the balance IP.

Further, due to reduction in command, expenditure of Rs 17.86 crore incurred on reinforced cement concrete chairs (Rs 47.92 lakh), procurement of pipes (Rs 1,339.59 lakh) and pump house (Rs 398.19 lakh) became infructuous.

Further, while calculating the cost-benefit ratio it was proposed to utilise 2.98 TMC (84.27 MM³) of water in kharif season with cropping intensity of 45 *per cent*. It was, however, noticed that no water was supplied during kharif season. Thus, viability of the project was not assessed properly.

3.4.12 Tajnapur LIS

Rehabilitated persons were deprived from irrigation facilities for more than 21 years

The project was envisaged to provide benefit to the rehabilitated project affected persons of Jayakwadi Dam. As per the proposal this LIS was to receive water from Jayakwadi Dam. The work of LIS was taken up, though no reservation was made in the dam.

Although a period of more than 21 years had elapsed since the commencement of work in 1984-85, the LIS remained incomplete and no irrigation benefits accrued to the beneficiaries despite spending of Rs 13.02 crore over a period of 20 years.

3.4.13 Tembhu LIS

Without completing initial stages, incurring of expenditure on subsequent stages was not prudent resulting in no irrigation

The work of rising main in respect of the third to fifth stages were completed (2000-01) without completion of the stages 1A and 2. Though expenditure of Rs 808.04 crore was incurred, there were no irrigation benefits, as the initial stages estimated to cost Rs 234.72 crore were not completed. Government accepted the facts.

Further, while calculating cost benefit ratio, cropping pattern of Umrodi project was considered (December 1995) for this LIS, which worked out to 0.91 only and to make the project viable cropping pattern was revised (August 2003).

3.4.14 Muktainagar LIS

As of March 2005, Rs 32.90 crore was spent on the LIS. There was, however, no utilisation of the irrigation potential created since 2000-01 due to non-completion of on farm development works (estimated cost: Rs 2.02 crore). Though funds of Rs 6.34 crore were released during the period 2000-01 to 2004-05, only Rs 1.04 crore was incurred on OFD works rendering the LIS non functional.

3.4.15 Bhagada Pipe LIS

Unviable project taken up despite a proposal for closure was submitted

The Bhagada Pipe LIS was included as a part of Mula Project. In the earlier Project Report of Bhagada Pipe approved in 1988, irrigation potential of 2,909 hectare was proposed. After completion of Mula Project, it was, however, noticed that availability of water was not sufficient for irrigating the projected area of 2,909 hectare. Government decided (August 1994) to utilise the LIS for solving the drinking water problem and recharging of wells. Though Rs 18.25 crore were spent (March 2005) on Baghada Pipe LIS against the estimated cost of Rs 16.35 crore, the indirect benefit accrued was only 250 hectare. Thus, per hectare cost of irrigation worked out to Rs 7.30 lakh, which was on the higher side compared to the per hectare cost in other LISs⁷. Also, no revenue in the form of water charges could be generated from the scheme.

The cost benefit ratio for the Project was also not calculated separately on the plea that it was part of the Mula Project. The GMIDC, Aurangabad submitted a proposal (January 2002) to the State Government for closure of the Bhagada Pipe LIS, as the construction work was not started. Government, however, rejected the proposal for closure for giving social justice to the area.

Thus, injudicious decision to take up an unviable LIS had resulted in expenditure disproportionate to the anticipated benefits.

Programme implementation

3.4.16 Utilisation of created Irrigation Potential

As per the Project Reports, 47 LISs were to generate irrigation potential (IP) of 6.02 lakh hectare. However, as of March 2005 only seven LIS could create IP of 0.47 lakh hectare. Scrutiny revealed that though IP created was far less than the targeted potential, the utilisation of the scheme was very less. The position was as follows:-

Name of Corporation	Total number of schemes	IP Projected	IP Created	IP Utilised	Shortfall in utilisation of IP	Percentage of shortfall with reference to potential created
		(In hectares)				
VIDC	9	47775	2171	254	1917	88
GMIDC	9	33907	25626	3602	22024	86
TIDC	10	134063	3360	362	2998	89
MKVDC	19	385959	15700	4000	11700	75
Total	47	601704	46857	8218	38639	--

Reasons for poor utilisation were non-completion of works of LIS, non-availability of water, canal work remaining incomplete, river flow shifted to other end resulting in non-availability of water and illegal lifting of water resulting in no demand by farmers.

⁷ Lower Terna:Rs 0.12 lakh, Vishnupuri : Rs 1.01 lakh

The position of three completed LISs as of March 2005 was as below:

Name of LIS	Projected cost	Expenditure incurred	Year of completion	IP to be created	IP created	IP utilised
	(Rupees in crore)					
				(In hectare)		
Lower Terna	120.22	107.76	June 2001	6890	6890	Nil (since 2002-03)
Muktainagar	34.21	32.57	March 2000	3360	3360	361.50 (in 2001-02) nil (since 2002-03)
Jamkhurd	1.77	1.58	1997	653	653	254 ha (1999-2000 in kharif season only)
Total	156.20	141.91		10903	10903	--

Thus, benefits derived from completed LISs were meagre resulting in the expenditure remaining largely unfruitful.

Government stated (October 2005) that efforts were being made to improve utilisation of irrigation potential.

3.4.17 Levy of water charges

Water charges were levied on a per hectare basis on the basis of cropping pattern. But these rates were not based on the water usage. Requirement of water for sugarcane was much more than the requirement of other crops like grapes which were being charged at the same rates. Sugarcane was being grown on 3.5 per cent of the total land in the State but accounted for 70 per cent of water use.

Government published its water policy in July 2003, wherein it was contemplated that water charges determined on the basis of the approved water tariff system would be levied on a volumetric basis. Government agreed (October 2005) to charge water rates on volumetric basis.

3.4.18 Unfruitful investment in pumps

Failure to prioritise the work resulted in pumps costing Rs 103.66 crore lying idle

One of the costly items in LIS is pump. Therefore, execution of LIS should be so planned so as to have optimum output from the pumps installed. Scrutiny, however, revealed that there were 152 unused pumps (installed and stand-by) costing Rs 103.66 crore (**Appendix XXXIX**).

Similarly, allied pumping equipment in respect of Tembhu LIS (stage IV and V) costing Rs 1.47 crore procured between the period April 1999 and June 2002 also remained unused due to non-procurement of pumps.

The reasons given (May 2005) by the Executive Engineer, Takri-Mhaisal Mechanical and Electrical Division, Sangli (incharge of Krishna-Koyna LIS and Tembhu LIS) for non-utilisation of pumps were (i) shortage of funds, (ii) irregular supply of water and electricity, (iii) incomplete civil works and (iv) no High Tension and Low Tension supply.

Government while accepting the audit point stated (October 2005) that investment in pumps was made to have optimum output. Due to shortage of funds the LIS, however, remained incomplete resulting in non-utilisation of pumps.

Other topics of interest

3.4.19 Corporations deprived of income from water charges

According to the provisions of the respective Irrigation Development Corporation Acts, the levy and recovery of water charges shall be sufficient at least to cover the interest charges on capital raised by those Corporations.

The Government, however, directed (February 2004) to transfer all the completed projects for maintenance to the Government. As such, the revenue in the form of water charges, which was the only source of revenue to the Corporations, would now go to the Government.

Government stated (October 2005) that the Government is paying the interest charges for the capital raised by the Corporations, which was primarily the responsibility of the Corporations. It was further stated that the expenditure would be met through water charges collected by them from the schemes handed over. As such, the Corporations were not deprived of income.

The reply was not acceptable as the decision was in contravention of the provisions of the Acts establishing IDCs.

3.4.20 Injudicious execution of work

The work of construction of a Kolhapur Type weir (KT weir), approach channel and pump house at Tembhu across Krishna river (estimated to cost Rs 38.99 crore) was awarded (July 1997) to a contractor for Rs 51.33 crore before receiving design from a consultant who was appointed in October 1996 for preparation of layout of Tembhu LIS. The report of the consultant, recommended construction of a barrage instead of KT weir. Award of contract before finalising the design led to depriving the Government of the competitive rates, which would have been received if the work with increased scope was put to tender.

Government stated (October 2005) that the work of KT weir at Tembhu had to be started in order to complete it within the stipulated period. Further, it was not anticipated that there would be a very large variation in the designed storage capacity required for the sump. The work was got done through the same agency in order to save the time overrun.

The reply was not acceptable as the decision to execute the work of KT weir before receipt of consultant's report was imprudent and resulted in allotment of work costing Rs 31.90 crore without competitive bidding.

3.4.21 Outstanding dues on account of electricity bills

The cost of energy is a major constituent of LIS project. The viability of the scheme is affected to a great extent by the electricity charges for pumping energy. The schemes were facing difficulty in paying the electricity bills due to paucity of funds and disconnections. As of March 2005, the outstanding electricity charges in respect of three⁸ LISs amounted to Rs 39.03 crore.

Government stated (October 2005) that the water charges would be recovered from the farmers after the completion of canal distributory network of the LISs at the tariff finalised by the State Government.

The actual clearance of outstanding bills was awaited (November 2005).

3.4.22 Conclusion

Though a substantial investment of Rs 2,843.94 crore was made up to 2004-05, the benefits achieved from the LISs were negligible. In many cases the viability of the scheme was flawed on account of incorrect water yield and cost benefit ratios. Though the schemes were taken up for providing benefit to those who could not be provided water through flow irrigation, the delay has deprived them of the benefit. Though the IDCs were formed for expeditious completion of ongoing projects, LISs were taken up simultaneously without due prioritisation and adequate planning leading to time and cost overrun. Returns on investments were, therefore, meagre.

3.4.23 Recommendations

- The construction schedule of LISs may be reviewed in stages/phases and subsequent stages be taken up only after judging the performance of earlier stages.
- Costly equipment for the LIS should be procured only when they are actually required and should be commissioned and deployed immediately on procurement.
- Steps may be taken to prioritise allocation of funds to LISs nearing completion.
- Water charges may be levied on volumetric basis.

3.4.24 Response of Government

The above points were communicated to the Government (September 2005). While replying (October 2005) the Government welcomed the suggestions regarding planning of LISs in phases and charging water rates on volumetric basis.

⁸ Lower Terna, Muktainagar and Vishnupuri

URBAN DEVELOPMENT DEPARTMENT

3.5 Information Technology Review on collection, accountal and utilisation of charges collected by Nagpur Improvement Trust, Nagpur under Gunthewari Act, 2001

Highlights

The review was conducted to see whether the information generated through Information Technology system as regards money receipts and its utilisation was adequate, accurate, reliable and user friendly to management for decision making. Integrity of data in the system was, however, doubtful. No Information Technology security policies were in place.

Incorrect reports were generated as the plot area did not form the basis of the demand amount / amount paid.

(Paragraph 3.5.9)

The Information Technology system was fraught with risks of generating incorrect reports due to typographical errors in data entry.

(Paragraph 3.5.9)

Integrity of data in the system is doubtful. No Information Technology security policies/ procedures were in place exposing the system to risks of logical access by unauthorised users.

(Paragraphs 3.5.9 and 3.5.13)

Development works were carried out prior to recovery of development charges and development charges were determined without considering development works existing prior to the enactment of the Act. Besides there was no linking to layout-wise deposits and expenditure, as required under the Act.

(Paragraph 3.5.15)

3.5.1 Introduction

The Maharashtra Gunthewari Developments (Regularisation, Upgradation and Control) Act, 2001 (Act) was enacted by the State Legislature for the regularisation and upgradation of certain Gunthewari developments *i.e.*, plots formed by unauthorisedly sub-dividing privately owned land with the buildings on the plots. The Act envisaged collection of development charges and compounding charge at Rs 16 per square foot (sq.ft.) on plot area plus regularisation charges at Rs 6 per sq.ft. on built up area on the plot, if any. It was proposed to regularise a total of 572 such unauthorised developments (layouts) in first phase and 1,900 unauthorised developments (layout) later on. The development charges were levied for upgradation of basic infrastructural facilities like roads, drainages and drinking water.

The “single window scheme” being followed by Nagpur Improvement Trust (Trust) prior to enactment of the Act for receiving applications between 12 February and 12 April 2001 for regularisation of 572 Gunthewari development layouts was further extended for regularisation of 1,900 Gunthewari developments between June and August 2002. At the end of the scheme 1,69,789 applications (50,276 in respect of 572 developments and 1,19,513 in respect of 1,900 developments) were received and processed after adjusting initial amount of application money.

3.5.2 Organisations set-up

The Trust was authorised under the Act *ibid* as the “Planning Authority” for regularisation and development of the unauthorised layouts. While the Chairman of the Trust was overall in-charge of the Gunthewari Developments, the works were being executed by the Executive Engineers under the supervision and control of the Superintending Engineer. The Assistant Engineer (Project / Computer) is overall in-charge of Information Technology (IT) system.

3.5.3 Audit objectives

The review was conducted with the following objectives:

- to review the system of collection of money from the land holders and accounting thereof;
- to review the adequacy of controls, including IT security built in the IT system and bring out areas of risk, if any and
- to examine whether the information generated through the IT system is adequate, accurate and reliable for use by the Management for decision making.

3.5.4 Audit criteria

The audit criteria were as follows:

- Provisions of Maharashtra Gunthewari Developments (Regularisation, Upgradation and Control) Act, 2001;
- Prudent practices followed world wide in planning, design development and implementation of IT systems and
- Completeness, integrity and accuracy of data entry, analysis and output.

3.5.5 Scope of audit

The review was conducted based on a written request received from the Government of Maharashtra to audit the effectiveness of computerised system of collection of money from the land holders of unauthorised layouts, its accounting and utilisation for development works.

The review involved scrutiny (June 2005) of the money received and spent by the Trust between April 2001 and June 2005 using the IT system.

3.5.6 Audit methodology

The review involved scrutiny of data relating to transactions made through the IT system. The analysis was carried out using PL-SQL (programming language / structured query language) and IDEA (Interactive Data Extraction and Analysis). The extraction and data analysis was conducted over the entire database. In cases where the transactions were conducted manually, manual verification was conducted.

Audit findings

3.5.7 IT System:

The system developed for Gunthewari Scheme of regularisation named GRAND (Gunthewari Regularisation and Development) was installed on 14 March 2003. However, out of the eight modules (Recovery, Establishment, Accounts, Law, Technical, Housing, 572* and Land acquisition and valuation) developed, only one technical module of Accounts was put to use as of June 2005.

3.5.8 Accounting system

The development and regularisation charges of the Gunthewari development or layouts were collected in the form of cash and demand draft at the various collection counters of the Union Bank of India and Cash counter at the Trust in Nagpur city. Daily receipts of all such counters were posted in the "Daily collection Report" (Name-wise and Head-wise) and tallied with the daily collection as per bank scrolls and cash receipt counters of the Trust. Further, it was bifurcated in the Consolidation Register head-wise and section-wise duly attested by the Recovery Officer-in-charge and then posted finally in the cash book by classifying into various Heads of Account.

* Module developed for the section named 572 section

3.5.9 Non-validation of database

Incorrect reports were generated as the plot area did not form the basis of the demand amount / amount paid

The system calculates demand amount based on input parameters such as plot area and construction area. It was seen that in 1,274 cases the plot area did not form the basis of the demand amount/amount paid. It was also seen that in one case while the plot area was zero, the amount demanded and paid was Rs 23,000. As against a maximum of 2,472 (572 + 1,900) layouts, the database of plot area showed 4,335 layouts.

In 1,543 cases in 1,900 layouts, the amount recovered from the plot owners exceeded the amount due as per the Act by Rs 1.39 crore.

The IT system was fraught with risk of generating incorrect reports due to typographical errors in data entry

A scrutiny of database revealed that an absurd demand of Rs 8,91,91,911 against the plot area of 139.35 square metre (sq.mt.) and construction area of 137.971 sq.mt. was raised. Further scrutiny in cases of “*Mouza Nari*” area revealed that in 296 cases field of the ‘initial deposit amount’ depicted other than the amount collected initially from the applicant. In another case the initial deposit was entered as Rs 1,20,42,001.

The Trust stated that the entry of Rs 1,20,42,001 and of Rs 8,91,91,911 were typographical errors. Further the difference existed mostly in old cases where data entry was in progress. In these cases manual demands were issued to the applicants at the time of inception of regularisation scheme. In order to allow data entry in respect of these cases, facilities were provided to edit the data. In other cases the demand note was issued on the basis of the information of plot area provided by the applicant. The exact amount, however, would be mentioned in the regularisation letter which is issued after detailed scrutiny of the case. Later, the areas coming under road widening, road tangents, excess built up area and area affected by proposed road alignment are deducted from the plot area and built up area. Therefore, a provision was made to alter the plot area as well as construction area.

Non-deduction of area on account of road widening and road tangents at the time of raising of demand resulted in recoveries in excess. Such amounts are returned to concerned plot owners as and when demanded.

The reply is not tenable as (i) the data entry into the system lacked integrity (completeness and correctness) because of weak input validation controls; (ii) the typographical errors which remained uncorrected were considered while generation of various reports used for MIS; (iii) the correct amount of initial deposit would never be available through the system as it included other amounts collected initially from the applicants and (iv) the data was fraught with the risk of manipulation as the important fields remained open for modification.

3.5.10 Generation of incorrect revenue figures

The details of receipts maintained manually should agree with those figures available in the IT system. It was, however, observed that there were differences in the figures maintained manually by the Accounts Section and those system-generated figures in respect of revenue collection by NIT:

(Rupees in crore)

Year	Receipts as per accounts section		Receipts as per IT System	
	572 layouts	1900 layouts	572 layouts	1900 layouts
2000-01	1.59	NA	0.25	NA
2001-02	58.93	NA	53.42	0.03
2002-03	34.11	14.23	37.30	0.83
2003-04	20.31	19.56	9.79	27.29
2004-05	12.78	23.86	12.31	22.44
Total	127.72	57.65	113.47	50.59

The Trust replied that the data entry in respect of all the transactions of old cases was not completed and the cash account (in Account section) was maintained as per actual receipts. It was further stated that some of the activities were yet to be computerised.

The reply was not acceptable, as the system figure for 1,900 layouts in 2003-04 was more than the figure given by Accounts section. The completeness and correctness of the data in the system and the system-generated reports were thus not realistic.

3.5.11 Date validation not possible

As per the procedure for regularisation of plots, applications were invited from the plot owners with an initial deposit of Rs 1,000. After due scrutiny by Building Engineer taking into account parameters such as plot area, construction area, khasara maps and layout plans, demand notices were issued to the plot owners.

Analysis of this database revealed that in case of 1,900 layouts the demands were issued on the date of receipt of application in 164 cases. It was also seen that in some cases demands were issued prior to receipt of applications as listed at **Appendix XL**.

The department stated that the date of receipt of application is not stored by the system. The field for application date refers to the date of receipt of initial deposit and the demand date was dependant on the system date captured by the computer itself.

The reply is not acceptable as the field name 'Application Date' was misleading as it was stated to contain date of receipt of initial deposit. Further, in the absence of date of application in the database it was not possible to work out the period required for disposal of application and thus the system

lacked transparency in disposal of cases. Also the system was supposed to take care of recording of correct data and time of the transactions.

3.5.12 Incomplete data

It was observed in audit that the field for layout area in the database was left blank. As such it was not possible to link this area with sum of all plot areas in the layout after considering areas earmarked for roads and public utility places.

The above position indicates that (October 2005) the system runs the risk of (i) likely fraudulent manipulation of data; (ii) incorrect data due to human error and (iii) not assisting the management adequately in decision making.

3.5.13 IT security

No IT security policies / procedures were in place exposing the system to risks of logical access by unauthorised users

Considering the vulnerability of IT systems to various threats, it was necessary to: (i) identify the risk involved in the system; (ii) identify critical data which would need enhanced security; (iii) define a security policy which would ensure confidentiality, integrity and availability of data and (iv) documentation of the security policy.

Audit noticed that the Trust did not formulate any security policy. Assessment of practices followed at the time of audit revealed the following:

- Security levels required to determine the sensitive/critical applications were not identified.
- It was not mandatory for the users to change passwords at periodical intervals and the system also did not force them to do so. There was no restriction on the length of the passwords used.
- No register of back-ups was maintained and there was no system of storing the back-up off-site. It was stated by the Trust that the database was never restored using back-up because the system has never failed. It was further stated that at present there is no standby arrangement for servers and clients. There was no disaster management plan in the event of a major disaster. As such the system was fraught with the risk of collapse at the time of major failure/disaster.
- The vendor functioned in the capacity of the System Administrator who restricts the access privileges to the users under the guidance of the Assistant Engineer (Projects/Computers). There was, however, no documentary evidence of the 'guidance' and therefore risk of the privilege given being extended to every person.

The department stated that the Trust, as of now, does not have a security policy. At present the rights and privileges are managed by the representative of the solution provider as per oral instructions of the Assistant Engineer

(Project/Computers), concerned Building Engineers and Executive Engineers. This procedure is now being changed and user identification (ID) and access privileges will be created upon the written request of the concerned Head of Department.

3.5.14 Change management procedures not in place

In order to ensure that the changes are duly authorized and smoothly implemented, it is necessary to define policies and procedures, which should be followed scrupulously. The Trust does not have any such policy for change management procedures. As such it was not possible to track the changes made to the system from time to time. The software was under annual maintenance contract (AMC) with M/s. ADCC. Though the source code of the software is with the Trust, the day to day changes required in the system are carried out by the AMC vendor. There was neither a documented approval to such changes nor list of changes made was available. Absence of such documentation present potential risk of making changes to basic data like demand notes after their issue.

3.5.15 Development charges of layouts

As per provisions of Section 6(1) and 6(2) of Maharashtra Gunthewari Act, (Act), 2001 the amount accruing to the Planning Authority on account of compounding fee shall be kept by the Planning Authority in a separate head of account, layout-wise and shall be utilised for on site infrastructure in the layout. The Act, further provides for on site development of the layout in proportion to the amount of compensation received by the Planning Authority.

It was, however, observed that layout-wise accounts were not maintained in respect of any of the 213 completed layouts. Instead, accounts were maintained for each *Mouza**. The position of deposits received, expenditure incurred and percentage of excesses and savings in respect of 213 completed layouts is shown in **Appendix XLI**. In particular, it was seen that in 32* layouts in two *Mouzas* there was excess expenditure of 67 per cent to 68 per cent on development works as compared to the total deposits received. In 18* layouts in two other *Mouzas* there were savings of 67 per cent to 68 per cent against the deposits received. Thus, there was no linking of layout-wise deposit and expenditure as required under the Act.

In reply the Trust stated that, the excess expenditure was due to non-recovery of development charges amounting to Rs 2 crore from defaulters and execution of major off-site development. The Trust attributed reasons for savings to the existence of developmental works prior to enactment of the Act.

* *Mouza* - Marathi word for a village

* Dighori -28, Nari - 4

* Khamla - 3, Parsodi - 15

The reply of the Trust is not acceptable as expediency of taking of developmental works before recovering development charges of Rs 2 crore from the defaulters has not been explained. Further, the existence of development works prior to enactment of the Act, should have been considered while determining the development charges/compounding fees.

3.5.16 Forfeiture of application money

Section 24 of the Act provided for making regulations consistent with the Act and the Rules made there under, to carry out the purposes of the Act with previous approval of the State Government.

The Act, further provided for submission of application by plot holders in unauthorised layouts for regularisation of Gunthewari Developments accompanied by: (i) proof of ownership of plot, (ii) layout and construction of maps and (iii) demand draft of the specified amount. An application money of Rs 1,000 per plot per applicant, adjustable in future demand, was accordingly fixed and collected with applications for regularisation of plots in 572 layouts and 1,900 layouts.

Of the total 1,69,789 applications received, 8,553 applications were rejected as their plots were under Development Plan reservations (ring railways and public utility land) and entire amount collected at the rate of Rs 1,000 per plot per applicant aggregating to Rs 85.53 lakh was forfeited and not refunded to the plot holders. It was noticed that the Trust did not obtain prior approval of the State Government before forfeiture of application money.

The Trust stated that under "single window scheme" it was categorically stated that the application money shall not be refunded in case of rejection of regularisation and therefore the question of its refund does not arise.

The reply is not tenable as the decision to forfeit amount of Rs 85.53 lakh was taken without the prior approval/concurrence of the Government, which was required to be obtained as per the Act.

3.5.17 Conclusions

The basic objective of computerisation of bringing the efficiency and effectiveness in the operation could not be met due to insufficient preventive controls to avoid the instances of poor validation of data fields, errors in the data and risks of security. As a result of all these, audit is of the opinion that the information generated through the IT system is unreliable and fraught with the risk of incorrect decision making.

On collating the audit objectives with the results obtained, audit is of the view that the IT system, saddled with security risks, is fraught with the potential risks of doubtful data integrity. Any reports generated out of it cannot be taken as authorised unless independently examined manually. Since the reports

generated through IT system were not reliable, a substantive testing done manually indicated diversion of collections between layouts, no linkage of layout-wise deposits and expenditure.

3.5.18 Recommendations

- The Trust should get a validated database on the area of all the layouts/plots to be regularised. Necessary surveys required in this regard should be completed at the earliest.
- The Trust should have a well defined, documented IT strategy commensurate with their needs and short-term and long-term goals.
- The Trust should have well defined and documented IT security policy identifying the personnel accountable at various stages.
- There should be proper allocation of responsibilities as regards acquisition and management of IT assets including hardware, software and data coupled with well-defined physical and logical access controls.
- The system-generated figures should be reconciled with the actuals at the earliest.
- Layout-wise linking of deposits and expenditure for execution of development works as required under the Act should be ensured.

The matter was referred to the Secretary to Government in July 2005. Reply had not been received (December 2005).

FINANCE DEPARTMENT

3.6 Information Technology Audit of ‘Koshwahini System’

Highlights

With a view to design and develop a Management Information System from data received from the Treasuries and the Pay and Accounts Office, Mumbai to aid various departments in monitoring, decision making and improvement in budgetary controls a web-based application package called “Koshwahini” was developed at the Directorate of Accounts and Treasuries. The package in the present form was unable to serve the desired purpose although Rs 15.03 crore was spent on the system during the project period of five years.

The system development methodology adopted was purely ad-hoc and in the absence of proper documentation the Department could not manage and monitor the development and implementation of the system and was completely dependent on the National Informatics Centre, the developer of the system.

(Paragraph 3.6.7)

No Master Plan was prepared for each approved project for maintaining control over the project and for monitoring the time and cost incurred throughout the life of the project. This necessitated replacement of the existing hardware costing Rs 2.35 crore within a short span of three years.

(Paragraph 3.6.8)

The accounting requirements, records and functions at the treasury level still remained to be computerised. Due to non-completion of Bank Reconciliation module by the Pay and Accounts Office, reconciliation was done manually and was in arrears from June 2003. As such, the correctness of receipts and payments was not verifiable.

(Paragraph 3.6.9)

As the Drawing and Disbursing Officer register was incomplete and not authenticated, 12,554 Drawing and Disbursing Officers appearing in the Drawing and Disbursing Officer master table were not verifiable. Drawing and Disbursing Officers were allotted two codes. Of these some had operated both the codes and drawn bills.

(Paragraphs 3.6.11 and 3.6.14)

There was no one-to-one link between the cancellation of original and issue of fresh cheque in the system. As such, the correctness of 232 cheques amounting to Rs 1.89 crore drawn by the Pay and Account Office could not be verified.

(Paragraph 3.6.16)

There was no proper disaster recovery plan; validation checks and security controls were also not properly laid down and followed resulting in high risks in the System.

(Paragraphs 3.6.17, 3.6.18 and 3.6.19)

3.6.1 Introduction

A web-based application package namely Koshwahini was developed (2002) under DB2/PHP*/Linux platform at the Directorate of Accounts and Treasuries (DAT), Mumbai through the National Informatics Centre (NIC) for storing the receipt and payment data received from the Treasuries and the Pay and Accounts Office (PAO) daily through e-mail and for generating various Management Information System (MIS) reports relating to receipts and payments, bills under process, major head-wise budget and expenditure, region-wise, treasury-wise and Drawing and Disbursing Officer (DDO) wise expenditure.

Initially the computerisation of treasury system was taken up by the DAT, Mumbai at Pune Treasury in 1996-97 with an Integrated Online application package for Expenditure, Audit, Accounts, Cheques and Tokens (EXAACT) developed by the NIC, Pune in FOXPRO/Novel Netware platform with a server for storing data and dumb terminals for data entry. The package was subsequently implemented in other regional treasuries namely Amravati, Aurangabad, Nagpur, Nashik and Thane during 1998-99 and remaining 27 treasuries and 295 sub-treasuries during 2002-03. A separate application package for the PAO was developed (2002) under DB2¹/VB²/Linux³ platform.

An amount of Rs 15.03 crore received from the Central Government as per recommendations of the 11th Finance Commission during 2000-01 was spent on the project up to March 2005.

3.6.2 Objectives of Koshwahini

The objectives of the Koshwahini was to design and develop a Management Information System around the database received from the treasuries and the PAO, Mumbai to aid various departments in monitoring, taking decisions and improvement in budgetary controls.

3.6.3 Organisational set-up

The DAT, Mumbai was responsible for implementation of the computerisation project in the office of DAT, 33 treasuries and 295 sub-treasuries there under and the PAO, Mumbai.

* A widely used scripting language for Web Development

¹ Database software

² Visual basic - A computer language

³ A Network operating system

The treasury offices at district level and sub-treasury offices at taluka level make payments to DDOs after scrutiny of bills submitted by them and account for receipts submitted through challans. Sub-treasuries submit daily sheets of receipts and payments along with the challans and vouchers to the Treasury Officer for compilation. The treasuries prepare the major head-wise list of payments twice in a month and the cash account of receipts realised during the month for the treasury and sub-treasuries under it. These are submitted along with the vouchers to Accountant General (AG) (A&E)-I, Mumbai and AG (A&E) –II, Nagpur. Similarly, the PAO Mumbai makes payment to DDOs after pre-audit of the bills received by them. Subsequently, after compilation of vouchers and challans, the PAO submits monthly consolidated account to AG (A&E)-I, Mumbai.

3.6.4 Audit objectives

The audit objectives were to evaluate the efficiency and effectiveness of the system in achieving the stated objectives and to assess the adequacy of controls to ensure the integration of data and to examine the management direction of IT activities.

3.6.5 Audit Criteria

Application package developed and implemented for the treasuries, the PAO and the DAT were evaluated with respect to Maharashtra Treasury Rules and PAO Manual. Planning of computerisation programme, methodology of development of the application packages, data management and monitoring were also examined with good practices of IT governance under Control Objectives in Relative Information Technology (COBIT) framework.

3.6.6 Scope of Audit and Audit Methodology

Since the documents relating to various stages of system development life cycle such as feasibility study, user requirements, data flow charts, input process and output requirements of IT systems were not produced to audit, the scope of the IT audit was limited to scrutiny of files/records/information furnished by the DAT, the PAO and the treasuries and reports generated from the IT systems. Accordingly, test-check of records in the offices of the DAT, the PAO, Mumbai and three* out of 33 treasuries alongwith two sub-treasuries under each treasury was conducted during April to August 2005 and the audit findings are discussed in the succeeding paragraphs. Structured Queried Language (SQL) was used to export the data from DB2 database system to Interactive Data Extraction Analysis (IDEA) package and the audit analysis was done using IDEA package.

* Treasuries at Nasik, Thane and Pune
Sub-treasuries at Kalyan, Konkan Bhavan, Maval, Saswad, Dindori and Sinner

Audit Findings

3.6.7 Documentation

The System development methodology adopted is not discernible and is purely ad-hoc

The application packages were developed by the NIC as per discussions held with the DAT. The documentation relating to feasibility study, user requirements, programme specifications, data flow charts, input requirement definition, processing requirement definition, output requirement definition, operational requirement and service levels, change initiation request and control, major changes made to existing system, testing of changes, data conversion, risk analysis report and evaluation of meeting user requirement had not been done. Thus, the system development methodology adopted is not discernible and is purely ad-hoc.

The DAT stated (July 2005) that the information and details were not available as software was developed through discussions with the NIC and the relevant documents would be obtained from the NIC and furnished to Audit.

In the absence of any documentation, the Department could not properly manage and monitor the development and implementation of the system and was completely dependent on the NIC. The lack of documentation also constrained audit in analysing the methodology adopted. Consequently, the risk involved in the system was very high.

3.6.8 Planning

Strategic plan for a computerisation programme included the long and short range IT plans *i.e.*, hardware changes, capacity planning, information architecture, new system development, testing and implementation, disaster recovery planning and installation of new processing platforms. No such planning was done and the DAT implemented the project in piecemeal through the NIC as detailed below:

- DB2 based package was implemented at the PAO in 2002-03. At the same time EXAACT package based on FOXPRO which was developed in 1996-97 and already implemented in six regional treasuries was also implemented in the remaining 27 treasuries during 2002-03 at a cost of Rs 2.35 crore. Later a generalised package namely 'Treasury-Net' was developed for replacement of both EXAACT and DB2 based package during 2004-05. It was implemented in the PAO (April 2005), Aurangabad (July 2005) and Pune (August 2005).

The DAT stated (August 2005) that the software package Treasury-Net based on DB2/Linux was not ready in 2002-03 and was difficult to launch totally new software in all the treasuries.

The reply was not tenable as the Department displayed lack of foresight when it decided to adopt the 1996-97 FOXPRO based EXAACT in 27 treasuries in

Replacement of existing system costing Rs 2.35 crore necessitated within a short span of three years

2002-03 and purchased hardware costing Rs 2.35 crore while the new DB2 based application was being implemented in the PAO. The DAT has now decided (October 2005) to implement Treasury-Net based on DB2 in all treasuries and made a budget provision of Rs 6.48 crore for the year 2005-06 for implementation of Treasury-Net in remaining 27 treasuries. Thus, DAT will have to replace EXAACT in 27 treasuries within three years of its implementation along with the change of hardware.

- For implementation of Treasury-Net at six regional treasuries, hardware costing Rs 1.16 crore was purchased (January-March 2005) and the Treasury-Net was implemented at Aurangabad (July 2005) and Pune (August 2005) treasuries. The same was not implemented in the remaining four regional treasuries as of September 2005.

The DAT stated that the issue of implementation was still under consideration of the NIC as they were of the opinion that it would be better if the Treasury-Net was implemented in centralised mode so that software and other technical support could be given from one place only.

Thus, hardware purchased for four regional treasuries remained unutilised. It also indicated lack of proper planning and non-consideration of all decision variables before the purchase of hardware.

3.6.9 Structured approach to project development

System Development Life Cycle methodology (SDLC) is a structured approach that divides an information system development project into distinct stages, which follows sequentially. It was necessary to adopt a SDLC methodology governing the process of developing, acquiring, implementing and maintaining computerised information systems and related technology. Due to non-adoption of such methodology, the system remained incomplete despite lapse of a project period of five years and incurring Rs 15.03 crore. It could not deliver the desired services to improve monitoring as detailed below:

- The registers and records required for pre-audit such as DDO-wise audit registers for pay bill, travelling allowance bill, medical bill, contingency bill, abstract contingent bill, detailed contingent bill and grants-in-aid bill were maintained manually as the requisite module was not developed.
- As modules required for compilation section were incomplete, subsidiary registers relating to the head '2049 Interests', journal of transfer entry, debt, deposit and remittance (DDR) heads of accounts of payment and receipt and detail book were prepared manually. Therefore, consolidated monthly account of the PAO was still prepared manually and submitted to the AG (A&E), Mumbai.

Module for bank reconciliation is still incomplete. Manual reconciliation was also in arrear from June 2003

- The module for bank reconciliation by PAO was still incomplete and the reconciliation report was not generated through the system. As such the reconciliation work was being done manually and was in arrears from June 2003. Further, the data entry of encashed cheques was not done for the period from November 2004 to March 2005. As reconciliation was in arrears, the correctness of data on receipts and payments at the PAO and fed into Koshwahini system was not verifiable.

3.6.10 Difference in Reserve Bank Deposit figures

The Reserve Bank Deposit (RBD) (MH-8675) worked out from the Koshwahini data did not tally with the monthly account figures of the PAO and Thane Treasury and there was a difference of Rs 1188.07 crore and Rs 3.26 crore respectively for the month of March 2005 as under:

(Rupees in crore)

Treasury	As per Koshwahini		As per Monthly Account		Difference
	Receipt	Payment	Receipt	Payment	
PAO	--	1697.63	--	509.56	1188.07 (Payment)
Thane	161.21	--	164.47	--	3.26 (Receipt)

The PAO stated (July 2005) that reconciliation of encashed cheques was in arrears and encashment could not be recorded hence there was a difference.

The reply is not tenable because if the same data was sent from the PAO/treasuries for inclusion in Koshwahini, there should not be any difference. This indicated that the data sent by the PAO and treasuries for inclusion in the Koshwahini was incomplete / incorrect. Thus, requisite input controls were absent in the Koshwahini system.

3.6.11 Maintenance of DDO master

Proper procedure was not followed in maintenance and updation of DDO master with complete and correct data on the DDO codes. Consequently, the purpose of having a master table for validation was not served.

On extraction and analysis of DDO master table from the Koshwahini system, 12,554 DDOs were found. Since the register maintained at DAT was incomplete and no officers had attested the entries, the correctness of these figures could not be verified.

A DDO register maintained manually in Thane Treasury contained 965 DDOs whereas the DDO master table contained only 787 DDOs.

No register/records were being maintained for monitoring the changes in the DDO code either manually or in the system at the PAO and Treasuries. Department stated (September 2005) that the registers would be updated.

3.6.12 Generation of DDO-wise reports

On generation of DDO-wise payment reports for the year 2004-05 from 'Koshwahini' it was noticed that payment data in respect of two DDOs⁹ amounting to Rs 18.19 lakh appearing in the PAO system, was not available in Koshwahini.

- The codes allotted to the DDOs are required to be entered in the system for processing the bills submitted by them. It was, however, observed that there was no link between old and new DDO codes which were changed within a financial year. Therefore, reports generated in respect of such DDOs showed partial information, taking into account the new codes only.
- As per provisions contained in Maharashtra Treasury Rules (MTRs) 1968 monthly reconciliation of remittances was required to be done by the DDOs with Treasury Officer (TO) and TOs had to issue certificate to that effect. DDO-wise receipts reports were, however, not generated from the Koshwahini, the PAO system or the Treasury system. The PAO stated (September 2005) that the data was not captured due to non-availability of DDO code on challan.
- There was no provision to capture and generate DDO-wise grants and expenditure monitoring reports. The DAT stated (August 2005) that the matter was under consideration.
- In addition to DDO-wise expenditure, one additional row is appearing as 'DDO Total' which is included in 'Grand Total' as detailed below:

Name of treasury	DDO Total (Rs)	Grand Total
Pune	64882406011	103440353603
Nasik	27819987850	4356872421
Thane	87101442816	50732767789
PAO	15377417	383219859606

The Department could not explain the expenditure shown against 'DDO Total'.

⁹ Secretary, Bombay Education Societies and Under Secretary to Government of Maharashtra, Third Finance Commission.

3.6.13 Complete particulars against DDO codes

Several DDOs name were found without full particulars such as office name and addresses in PAO system

Reports generated from Koshwahini revealed blank DDO names against DDO codes in 248 cases in the PAO, Mumbai; 222 cases in TO, Pune; 99 cases in TO, Nashik and 37 cases in TO, Thane.

Several DDO names were found without full particulars such as office name and addresses in the PAO system. Some instances are given below:

DDO code number	DDO particulars
002194	Accounts Officer, Greater Mumbai
003194	Assistant Director
005643	Child Development Project Officer
005781	Child Development Project Officer
002013	Chief Minister, Deputy Chief Minister

It indicated that DDO master has not been properly maintained at the DAT and the PAO.

3.6.14 Allotment of two codes to several DDOs

DDOs were allotted two DDO codes. Of these some had operated both the codes and drawn bills

Eighty two DDOs in the PAO, Mumbai, 10 DDOs in Thane and eight DDOs in Pune were allotted two DDO codes. Of these, some DDOs had operated both the codes and drawn bills during the year 2004-05. Some of the instances are shown below:

(Amount in Rupees)			
Name of treasury	DDO name	DDO code	Amount drawn
PAO, Mumbai	a) Assistant Commissioner of Sales Tax (Administration), Andheri Division	002987 2452973	18363 11752086
	b) Administrative Officer, ESIS, Andheri	002584 022580	200784 120611747
	c) Minister of Labour	480011	113453
		550011	944573
Pune	Commissioner of Police (OS)	450	929165825
	Commissioner of Police	453	203605
	City Survey Officer-1, Pune	887	98825
		888	3934095
	Administrative Officer, ESIS Hospital, WMR	2590	96937436
Administrative Officer, ESIS Hospital, AUNDH	2581	14724329	

Though DDO code number 48 assigned to the OSD in the office of the Divisional Commissioner was closed with effect from 21 June 2000 an amount of Rs 79600 was drawn under the code in 2004-2005.

The PAO stated (July 2005) that the old DDO code was wrongly entered in the system and to avoid such cases, the NIC was requested to lock the old DDO codes. TO, Pune (August 2005) stated that the matter was taken up with the

concerned DDOs for initiating remedial measures. TO, Thane (August 2005) stated that the allotment of two DDO codes would be reviewed and rectified.

In order to avoid such discrepancies, the control of the master data should be with the DAT and should be validated as soon as data was received from the PAO/Treasuries.

3.6.15 Procedure in exceptional changes of data

Scrutiny revealed that bill numbers 327654 to 327674 dated 31 March 2005 were entered in the system subsequently on 15 April 2005. In 52 cases the cheque drawal date was 3 April 2005 which was subsequent to the cheque delivery date of 31 March 2005.

The PAO stated (July 2005) that these bills were processed in the system by changing the system date being exceptional cases as per instructions of higher authorities and request received from DDOs for renewal of cheques.

The reply was not tenable as there was no document of such exceptional changes made in the system. Such changes should be monitored and controlled to avoid misuse in routine manner during other months. In view of above inconsistencies of data, there should be a separate module for the purpose of change management of data.

3.6.16 Procedure in issue of cheques in the PAO

It was noticed that there was no one-to-one link between the cancellation of original cheque and issue of fresh cheque and the same was not traceable in the system. Also, the register relating to fresh cheque issued in lieu of cancelled cheque was not maintained. In this regard the cheque delivery table for the year 2004-05 showed 232 cheques with zero amount whereas the cheque master table showed these cheques with money value amounting to Rs 1.89 crore.

The PAO explained (September 2005) that as these cheques were issued in lieu of cancelled cheques and delivered under MH-8670 with zero amount voucher as the expenditure was already booked in the monthly account in which the original cheque was issued.

Such weakness in the system is vulnerable for errors and irregularities.

3.6.17 Validation check and system design

Bills are presented to treasuries in prescribed Forms with one Form_ID. It was noticed in many cases that invalid Form_ID such as 10000, 10237, 109089, /19, .35 and 1*9 have been entered by the officials receiving bills. This would result into MIS reports not being generated based on correct Form_IDs. It

There was no one-to-one link between the cancellation of original cheques and issue of fresh cheque in the system

shows that there are no proper validation checks in the system. Accepting the fact, the PAO stated that the Form_IDs would be updated as early as possible.

As per Civil Budget Estimates, the detailed head “047 Advances” was mentioned under major head “7610 – Loans to Government servants” and not related to any service head. It was, however, noticed that in 126 cases expenditure amounting to Rs 5.76 crore was wrongly classified under other service major heads such as 2055 and 2014.

Proper validation check in the system is required to avoid such misclassifications.

During analysis of cheque delivery table, duplicate voucher numbers were found in 206 cases which shows that there are no validation controls put in place. The PAO stated (July 2005) that the actual reasons would be located and the defects in application package would be rectified with the help of the NIC.

3.6.18 Security controls in the PAO system

Security control were not properly laid down

Data analysis made in respect of the PAO system revealed the following lacunae:

- Operator password was same as the user ID in 91 cases.
- Operator password should be of eight characters. Passwords of three to four characters were, however, used.
- Generalised operator names were used in many cases.
- The user name was attached to the counter and the section. Even after transfer of the user, the same ID and password were used by the new user.

The PAO stated (July 2005) that since the software was in the process of stabilisation and users were not familiar with computer operation, the required security procedures were not followed. Also, as the NIC programmers and personnel from this office shared the DBA function, security issues were not strictly observed.

Department’s reply was not tenable as standard security procedures were not observed though risk involved in the system was very high.

3.6.19 Disaster recovery plan

Back-up and restoration plan was to be prepared by the department as per their requirements considering development, implementation, testing and documentation of the recovery plan. The data files, software and related documentation should be stored both on-site and off-site. No such plan was prepared and intimated to Treasuries and the PAO by the DAT and the NIC.

On data analysis of the PAO system for the year 2004-05, 5,612 gaps were detected in bill numbers and 1,009 gaps were detected in transaction numbers of cheque delivery. The PAO stated (July 2005) that the gaps were mainly due to batch generation process getting aborted and occurred when the data was re-entered. The matter would, however, be referred to the NIC for rectification.

Bills numbering 8,232 entered in the system were without any scroll operator details such as operator code, section and counter. The PAO stated (September 2005) that this was due to system memory corruption and stoppage of system at the point of acceptance in the scroll module and the matter was referred to the NIC for taking remedial action.

Further, no register or records were maintained in the treasury and the PAO in respect of frequency and period of back-up taken, type of back-up and persons responsible for taking back-up. The back-up taken in tapes was kept on-site in Pune and Nashik Treasuries and in PAO, Mumbai. In Nashik Treasury, the on-line mirroring of data in the second server (data back-up server) was stopped from May 2005 due to some problem in the second server. The same was not yet repaired (August 2005). It could thus be seen that no uniform system was being followed.

Un-interrupted power supply was not ensured in the sub-treasuries rendering the system inefficient and risk prone

The department should assess the need for uninterrupted power supply (UPS) regularly for its IT applications to secure against power failures and fluctuations. It was, however, observed that UPSs were not provided in the test checked Sub-Treasuries at Pune and Nashik. Consequently, the data gets lost and is required to be re-entered making the system inefficient and risk-prone. STOs agreed (August 2005) that UPSs were essential for smooth functioning and stated that their requirement was intimated to higher authorities.

3.6.20 Submission of monthly account to the Accountant General and data to Koshwahini

As per the prescribed procedure the due dates for submission of monthly account and classified abstract by PAO to AG (A&E) were 18 and 20 of the subsequent month respectively. It was, however, observed that the accounts were submitted late by the PAO and the delay ranged from three to six days in the months of April, May, June and February during the year 2004-05.

On data analysis for the year 2004-05, it was observed that there was delay in incorporating the daily accounts of the sub-treasuries in the treasury account. The delay ranged from two to 18 days in Thane, two to 10 days in Pune and two to eight days in Nashik. There was also delay in transmission of data by the various treasuries for incorporation into the Koshwahini.

The department stated (August 2005) that delay in submission of daily sheets by the sub-treasuries was mainly due to lack of network connectivity between the sub-treasuries and the treasuries and electricity failures.

3.6.21 Internal control and monitoring

Management should monitor the effectiveness of internal controls in the normal course of operations through management and supervisory activities, comparisons, reconciliations and other routine actions.

It was noticed in PAO system that 675 bills were objected but not delivered to the concerned DDOs and 27 bills without any indication of being objected or passed, remained undelivered. The PAO stated (September 2005) that the bills wrongly entered in the system were objected and re-entered as a new bill and the old bills remained in the system as undelivered.

The reply was not tenable as the objected bills, which were wrongly entered, should also be monitored and disposed through the system as an output and should not be left unreconciled in the system.

3.6.22 Conclusion

The Koshwahini application package in the present form is not in a position to serve as a reliable information system to aid monitoring and decision making. The structured approach of the system development life cycle methodology was not adopted resulting in system remaining incomplete. The system has not provided for foolproof masters and reconciliation of data flowing into the system from various levels. The security features did not generate the desired levels of confidence. Lack of documentation was a big handicap resulting in complete dependence on the developer. The accounting requirements and many records and functions remain to be computerised. Proper disaster recovery plan, procedures in exceptional changes in data and validation checks were not in place. As a result, it only served the purpose of partly depicting data on receipts and payments on a given date.

3.6.23 Recommendations:

- Structured procedure and documentation for the development, modification and implementation of the system should be followed to achieve the objectives and user requirements.
- DDO code should be made mandatory in respect of departmental remittances and relevant reports should be available in the 'Koshwahini', PAO and the Treasury System.
- Authorised and authenticated DDO master should be maintained at the DAT and the same should be made available to all the treasuries and the PAO.
- Policy procedure regarding data security, documentation of data, back-up and restoration should be prepared and implemented accordingly.
- Pre-audit module for the PAO should be developed.
- The DAT may train its own technical persons for project management and data management instead of fully depending on the NIC.

TRIBAL DEVELOPMENT DEPARTMENT

3.7 Working of Ashram Schools

3.7.1 Introduction

The scheme of ‘Ashram Schools’ (Schools) was introduced by the State Government since 1953-54 for educational upliftment of the tribal children. The scheme was partly financed by the Government of India for renovation of school buildings and computerisation since 1990-91 under the Special Central Assistance to the States in order to enable more tribal students to pursue their studies. The Schools are residential schools for tribal students who are provided free education, lodging and boarding, uniforms, books and notebooks, educational equipment and free physical checking. The Schools provide education up to XII standard and are administered by the State Government as well as voluntary agencies, which get grants-in-aid on salaries, non salary grant of 12 *per cent* of total salary of the staff and maintenance grant of Rs 500 per student per month and contingency expenditure. As of March 2004, there were 449 Government schools and 555 aided schools in the State. Approximately 3.50 lakh tribal students get education in these schools.

The Commissioner, Tribal Development, Nasik (Commissioner) is responsible for establishment and administration of the schools who is assisted by four Additional Tribal Commissioners (at Amravati, Nagpur, Nasik and Thane) and 24 Project Officers (POs). The POs are responsible for implementation and monitoring of the scheme in the areas under them.

A review on working of Ashram Schools for the period 1993-94 to 1997-98 was incorporated in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1998 (Paragraph 3.20). The review was, however, not discussed by the Public Accounts Committees as of December 2005.

Working of the Schools was reviewed in audit (January to June 2005) covering a period 1999-2004 by test-check of records of the Commissioner, four Additional Commissioners, 13 Projects Officers, 66 Government schools and 119 aided schools. The objectives of audit were to assess the capacity utilisation of the schools, improvement in retention of the students, quality of education, infrastructural and other basic facilities and quality of expenditure under the scheme.

Audit findings

3.7.2 Financial performance

The scheme is mainly funded by the State Government. Government of India provides funds under Special Central Assistance for incurring expenditure on renovation of school buildings. During the period 1999-2000 to 2003-04, expenditure of Rs 1294.05 crore was incurred as under:

Government Ashram Schools

(Rupees in crore)

Year	Grant received		Total	Expenditure incurred		Total	Excess (+) Saving (-)
	State	Central		State	Central		
1999-2000	154.05	2.30	156.35	158.44	2.32	160.76	(+) 4.41
2000-01	136.87	2.89	139.76	143.33	2.90	146.23	(+) 6.47
2001-02	149.34	10.51	159.85	155.34	10.51	165.85	(+) 6.00
2002-03	143.30	5.00	148.30	143.83	5.00	148.83	(+) 0.53
2003-04	178.79	-	178.79	178.70	-	178.70	(-) 0.09
Total	762.35	20.70	783.05	779.64	20.73	800.37	(+) 17.32

Aided schools

(Rupees in crore)

Year	Grant received		Total	Expenditure incurred		Total	Excess (+) Saving (-)
	State	Central		State	Central		
1999-2000	63.37	1.50	64.87	63.06	1.52	64.58	(-) 0.29
2000-01	74.62	5.54	80.16	74.96	5.54	80.50	(+) 0.34
2001-02	78.55	-	78.55	78.63	-	78.63	(+) 0.08
2002-03	131.26	-	131.26	131.60	-	131.60	(+) 0.34
2003-04	139.63	-	139.63	138.38	-	138.38	(-) 1.25
Total	487.43	7.04	494.47	486.63	7.06	493.69	(-) 0.78

The excess expenditure of Rs 16.54 crore was attributed by the Commissioner to higher cost of articles purchased and payment of dearness allowance arrears to the staff on account of Fifth Pay Commission.

3.7.3 Establishment of schools

No schools were opened in six talukas having huge tribal population

For setting up of a school, under the scheme, there should be 5000 to 7000 tribal population (2000 to 3000 for remote hilly areas) covering 10 to 15 villages within a radius of seven to 10 kms. Scrutiny, however, revealed that in six⁹ talukas no school was opened though tribal population in each of the talukas ranged between 8,000 and 53,000.

⁹ Hinganghat, Kamptee, Lakhandur, Mukhed, Nanded and Nimazari

The Commissioner stated (September 2005) that a new master plan based on tribal population of 2001 census was being prepared and the aforesaid talukas would be included in the master plan for setting up of Ashram Schools.

3.7.4 Capacity utilisation of schools and drop out of students

The information received from the Tribal Commissioner revealed (February 2005) that there was shortfall in capacity utilisation in the Ashram Schools with reference to the intake capacity of 50 students per class. Out of the 185 test checked schools, the shortfall in capacity utilisation in Government schools ranged between 27 and 33 *per cent* during 1999-2004 while in aided schools the shortfall ranged between 19 and 20 *per cent* during the period.

Percentage of dropout of students was more in aided schools particularly aided among the girls

The percentage of dropout of students in middle of the academic year during the years 1999-2004 ranged between 16 and 32 *per cent* among the boys and 17 and 23 *per cent* among the girls in Government schools. In the aided schools the dropout was 18 to 26 *per cent* among the boys and 18 to 32 *per cent* among the girls. It was noticed that percentage of dropout was more in aided schools, particularly among the girls.

The Commissioner attributed (June 2005) the shortfall to lack of interest on the part of the parents, migration of tribal families in search of employment and non-availability of sufficient numbers of students.

3.7.5 Pass percentage in secondary school certificate (SSC) examination

In the State, the overall position of pass percentage in SSC examination in Government and aided Ashram Schools was as under:

Year	Government Ashram Schools			Aided Ashram Schools		
	Number of schools	Number of schools with pass percentage		Number of schools	Number of schools with pass percentage	
		0 to 30	More than 30		0 to 30	More than 30
1999-2000	275	43	232	159	-	-
2000-2001	275	29	246	159	22	137
2001-2002	275	52	223	159	21	138
2002-2003	275	4	271	159	9	150
2003-2004	275	31	244	159	15	144

The Commissioner attributed (September 2005) low pass percentage to promoting the students up to Xth class without proper test in order to avoid under utilisation of intake capacity.

3.7.6 Infrastructure facilities

Out of 185 test checked schools 69 were either in temporary sheds or in kuccha buildings

Out of 66 Government schools test checked, 39 were in pucca buildings¹⁰, 25 were in temporary sheds and two in kuccha buildings¹¹. In 119 aided schools, 77 were in pucca buildings, 32 were in temporary sheds and 10 in kuccha buildings. In 20 Government schools and 58 aided schools no separate hostel building was available. The students were living in the classroom.

Out of the test checked schools, three Government schools and three aided schools were not provided with toilets and bathrooms. In 42 Government schools and 22 aided schools, toilets/bathrooms were not in use due to pending repairs and non-availability of water supply for more than five years.

Inadequate infrastructure facilities, irregular water supply and failure of drainage system resulted in unhygienic living conditions in the schools.



Condition of toilets and bathroom in Government Post Basic School at Jamb, District Yavatmal



A class room at Government Post Basic School at Kohor, District Nashik

Cots worth Rs 81 lakh were supplied to the schools not having hostel

Scrutiny further revealed that, 1089 cots costing Rs 81 lakh supplied to eight schools (January 2005) were lying idle due to non availability of hostel facility. It was also observed that cots were not supplied by the Tribal Commissioner to 20 schools where hostel facility was available.



Angles of two-tier cots dumped in a classroom of Government post Basis school at Dhanrat, District Nandurbar

3.7.7 Medical check up of students

Medical check up of students ignored

The scheme provided for medical check up of each student four times in a year and issue of health cards and supply of medical kit to each school. It was, however, noticed that no medical kit was provided in 38 schools and no health card was issued to 29 schools during 1999-2004. During these years no medical check up was carried out in seven to eleven schools whereas in 13 to 17 schools the check up was carried out only once in a year. In 15 to 23

¹⁰ Pucca building –Building with Reinforced Cement Concrete Structure.

¹¹ Kaccha building: - Building constructed of muddy walls and Mangalory tiles or tin roof.

schools medical check up was carried out twice in a year. Thus, medical check up of the schools was ignored.

3.7.8 Supply of uniform cloth

Liquidated damages of Rs 23.76 lakh was not recovered for delay in supply of uniform cloth

Under the scheme, two sets of uniform were to be supplied to the students at the beginning of each academic year. All the supplies / purchases are done at the Commissioner level. As per the agreement between the Tribal Commissioner and the Vendor, in case of delay in supply of uniform cloth, the supplier was liable to pay liquidated damages at the rate of half *per cent* per week on the cost of delayed supply of material.

Scrutiny revealed that during 1999-2004 the delay in supply of uniform cloth by the Vendor to the Project Officers ranged from one to 23 weeks. Liquidated damages of Rs 23.76 lakh were, however, not levied and recovered by the Tribal Commissioner. The delays ranged from one to eight months in 20 test checked Government schools.

The Tribal Commissioner, agreed (June 2005) to recover the liquidated damages.

It was further observed that in 92 out of 119 test checked aided schools only one set of uniform was supplied to the students as against two sets. The organisations attributed the supply of single set of uniform to inadequate maintenance grant.

3.7.9 Expenditure on pay and allowances

Avoidable expenditure of Rs 3.88 crore incurred on surplus teachers

In order to reduce the establishment expenditure, the State Government ordered (September 2001) to review the existing posts in all Government Departments, Autonomous Bodies and Aided Institutions so that the surplus /additional posts can be surrendered/transferred to the needy offices.

Accordingly, the Tribal Development Department (Department) took up review of position of teachers in Government Ashram Schools and identified 272 additional posts of Head Masters (HMs) from post basic ashram schools where two HMs were working (one for primary and another for post basic) as surplus. The Department cancelled 182 posts of HMs from these schools and transferred 90 posts to needy offices.

Audit scrutiny revealed that the Department did not carry out similar review in post basic aided ashram schools. The Department did not initiate any action to declare 141 surplus posts of HMs and to transfer these posts to the needy offices. As the posts were continued, avoidable expenditure of Rs 3.88 crore was incurred on their pay and allowance for the period from August 2002 to February 2005 along with excess payment of Rs 46.56 lakh as contingency grant (12 *per cent* of total salary expenditure).

The Commissioner accepted the omission and agreed to review the position of surplus staff in the aided schools.

3.7.10 Non-installation of fire fighting equipment

Despite High Court directives fire fighting equipment was not installed in 152 schools

To avoid incidence of disaster caused due to fire at Kumbhakonam in Tamil Nadu, the Mumbai High Court in its judgement (September 2004) directed the State Government to install fire-fighting equipment in all Ashram Schools.

In 50 Government schools and 102 aided schools test checked no fire fighting equipment was, however, installed.

3.7.11 Procurement of computers

With a view to create environment and awareness about Information Technology among the tribal youth, Government sanctioned Rs 5 crore (March 2001) and Rs 5.08 crore (February 2003) for procurement of 1,794 computers, 299 printers with equal number of tables for computers and printers alongwith educational software. The orders for procurement were placed in September 2001 and March 2003 respectively.

As per the agreement the supplier was liable for payment of liquidated damages at the rate of half *per cent* if the material was not supplied within the stipulated period. Scrutiny revealed that despite delay in supply of computers, liquidated damages amounting to Rs 32.26 lakh was not recovered. It was noticed that in 36 Government Ashram Schools, 166 computers purchased during June 2001 to October 2004 could not be put to use even after a lapse of eight months to 40 months due to non availability of required infrastructure such as computer table, uninterrupted power supply and electrification with power point and also due to non-installation of computers by the suppliers. This led to blocking of the Government funds of Rs 82.26 lakh, besides, the tribal students in those schools were deprived of the facilities.

Payment of Rs 44.15 lakh was made to a supplier before installation of the computers

Scrutiny further revealed that, though payment to the supplier (90 *per cent*) was to be made only after supply, installation and commissioning of computers, the Tribal Commissioner paid Rs 44.15 lakh to the supplier for 124 computers and 21 printers in 21 schools, which were not installed and commissioned. This constituted undue favour to the supplier.

3.7.12 Supply of substandard material

Sub-standard material costing Rs 20.54 lakh was not replaced by the Vendors

With a view to ensure supply of good quality dietary material in all Ashram Schools, Government issued instructions (May 2001) for testing of the material in a laboratory. If the material supplied was found to be sub-standard or adulterated, the supplier should replace the same by providing equivalent quantity.

Scrutiny revealed that the sub-standard dietary material costing Rs 20.45 lakh supplied during June 2003 to October 2003 by the Vendor has not been replaced by him. On this being pointed out, the Department agreed (June 2005) to recover the cost of material.

3.7.13 Monitoring and evaluation

The scheme provides for monitoring of the functioning of Ashram Schools by local committees, internal inspections, flying squads and district level committees. The performance was as under:

Non-formation of local committees

Government prescribed formation of local committees for each Government schools and aided schools. The local committees were to meet once in a month and submit a report to the Taluka Committee. The Taluka Committees in turn submit the report to the Commissioner at the end of the academic session.

It was, however, noticed that local committees were not formed in two to nine Government schools and one to 11 aided schools during 1999-2004. The shortfall in meetings of the committees ranged from one to 11 *per cent* in 58 Government schools and 85 aided schools. The Commissioner attributed the shortfall to lack of interest of the Members.

Inadequate inspection

The target fixed for inspection by the Additional Tribal Commissioner was 36 Government schools and 24 aided schools per year up to 2001-2002 and thereafter it was 36 Government schools as well as for aided schools per year. Target fixed for POs was 24 Government schools and 12 aided schools per year up to 2001-2002 and thereafter 48 Government schools as well as aided schools.

Scrutiny of test checked schools revealed that there was shortfall in inspection by the Additional Tribal Commissioner, which ranged between 33 *per cent* and 53 *per cent* in Government schools and between 36 *per cent* and 66 *per cent* in aided schools.

Similarly, shortfall in inspection by the POs also ranged between six *per cent* and 50 *per cent* in Government schools.

It was further observed that no flying squads were formed to conduct surprise inspection of schools and no visits were made by district level committee in 23 Government schools and 44 aided schools defeating the purpose of formation of the committees.

3.7.14 Conclusion

Since inception of the scheme in 1953-54, the State Government has never evaluated the impact of the implementation of the scheme. There was non-provision of basic infrastructure facilities including hostels and toilets. There were deficiencies in medical check up of the students. Non-installation of computers deprived the tribal students of modern facilities. There was a shortfall in the inspection of the schools by the various monitoring committees and the POs.

3.7.15 Recommendations

- Evaluation of the scheme should be conducted to assess the impact of the scheme.
- Construction of hostels, toilets / bath rooms and supply of water should be ensured.
- Regular health checkup, supply of medical kits and health card and timely supply of uniform be ensured.
- Monitoring at all level should be strengthened to ensure better utilisation of available resources.

These points were referred to the Secretary to the Government and to the Chief Secretary in September 2005. No substantive response was, however, received (December 2005).

AGRICULTURE, ANIMAL HUSBANDRY, DAIRY DEVELOPMENT AND FISHERIES DEPARTMENT

3.8 Procurement, processing of milk and sale of milk and milk products

3.8.1 Introduction

The Dairy Development Department was constituted in 1958 with the twin objectives of supplying hygienically processed milk to the consumers at reasonable price and encouraging villagers to produce milk as an alternative source of income. Dairy activities mainly consist of procurement of milk, processing and conversion of milk into milk products and sale of milk and milk products.

The Dairy Development Department is headed by the Dairy Development Commissioner (DDC) who is assisted by one Additional Dairy Development Commissioner, Deputy Dairy Development Commissioners and six Regional Dairy Development Officers.

Audit scrutinised the working of 12* milk schemes out of 34 and three[▼] out of six Regional Dairy Development Offices (RDDO).

A review on production and distribution of dairy products was included in the Audit Report of the Comptroller and Auditor General of India (Civil) No.3, Government of Maharashtra for the year ended 31 March 1995. The review had not been discussed by the Public Accounts Committee.

Procurement of milk

Milk is procured through primary co-operative societies and taluka sanghs.

3.8.2 Decline in milk procurement

Region-wise procurement of milk under the Government Milk Schemes (GMSs) during the period 2000-05 was as under:

(In lakh litres per day)

Region	2000-01	2001-02	2002-03	2003-04	2004-05
Pune	4.97	6.40	5.62	2.96	1.53
Nashik	4.53	6.40	5.81	3.28	2.97
Konkan	0.19	0.16	0.14	0.12	0.13
Aurangabad	2.86	3.75	3.04	2.02	2.01
Amravati	0.17	0.22	0.20	0.17	0.20
Nagpur	0.76	0.96	0.86	0.68	0.89
Total	13.48	17.89	15.67	9.23	7.73

* At GMSs Aarey, Ahmednagar, Aurangabad, Beed, Dhule, Kurla, Miraj, Nashik, Pune, Satara, Udgir and Worli

▼ RDDO Offices at Aurangabad, Nashik and Pune

The daily milk procurement by the Government dairies which was 13.48 lakh litres per day (lpd) in 2000-01 increased to 17.89 lakh lpd in 2001-02, but reduced considerably to 7.73 lakh lpd in 2004-05. The Department stated (October 2004) that the decline in procurement was due to drought conditions. The reply is not acceptable as data relating to procurement of milk by the dairies in the co-operative sector showed that procurement in those dairies increased from 25.02 lakh lpd to 30.37 lakh lpd. This indicates that procurement by the GMSs was due to the inefficient working of the Government milk schemes.

3.8.3 Procurement of milk from producers without testing

Payment made on average test result of quality of milk resulting in excess payment of Rs 1.01 crore

As per the procedure laid down, the price of milk was to be linked to its quality as measured by two parameters, namely, fat content and solids not fat (SNF). It was noticed that payment was made by taking the average of test results of the different samples for a particular day rather than on the basis of actual quality of milk of each lot. This was avoidable as testing arrangements were available at all the collection centres and data relating to quality and quantity of milk was maintained. As a result, there was excess payment of Rs 1.01 crore at seven chilling centers during 2000-2004 (**Appendix XLII**) taking into account the 'lot-wise' fat content and SNF content.

The Department stated (October 2004) that necessary instructions had been issued to all the milk procurement units to keep separate lots and make payment accordingly.

Scrutiny further revealed that a Government Resolution (GR) was issued in December 2000 making the use of cryoscope for detecting adulteration compulsory when procuring milk. It was, however, cancelled (January 2004) on the grounds that there was opposition from some milk sellers. Dispensing with testing was against the basic objective of the Government to ensure that the milk supplied is hygienic and not adulterated. The cryoscopes costing Rs 76 lakh had also remained idle.

Processing of milk

Processing of milk comprises chilling and pasteurisation before sale as well as conversion of milk into skimmed milk powder (SMP) and white butter.

3.8.4 Outsourcing of conversion of milk

The Department entrusted the conversion of 22.42 crore litres of milk to private agencies (Dynamix, Parag and Vadilal) and co-operative sanghs (Gokul, Warana and Jalgaon) on the ground that the conversion cost at departmental plants was higher. Audit scrutiny revealed that out of the total quantity outsourced, 49 *per cent* conversion was entrusted to one private dairy viz. M/s Dynamix Dairy Industries Limited (DDIL) on the request of the

DDIL and at the instance of the Dairy Development Commissioner, without the prior approval of the Government.

The Department incurred extra expenditure of Rs 9.96 crore due to outsourcing of conversion of milk as detailed below:

Year	Variable cost per litre at own Plant at rated capacity ¹²	Conversion cost per litre incurred due to outsourcing	Extra cost per litre due to outsourcing	Unutilised capacity	Avoidable extra expenditure
	(Rupees)			(Litres in crore)	(Rupees in crore)
2000-01	0.81	1.70	0.89	1.68	1.49
2001-02	0.70	1.53	0.83	4.34	3.60
2002-03	0.70	1.36	0.66	6.39	4.22
2003-04	0.70	1.15	0.45	1.36	0.61
2004-05	0.70	1.59	0.89	0.04	0.04
Total				13.81	9.96

Outsourcing conversion of milk was based on flawed cost analysis

The Department stated (October 2004) that outsourcing was done keeping in view the actual cost of departmental conversion and capacity available. The reply is not tenable as cost analysis of conversion of milk was incorrect, since the total cost inclusive of fixed overheads was considered even though surplus capacity was available with the Departmental plants.

3.8.5 Low capacity utilisation of new dairies and chilling centres

Rs 6.53 crore was incurred on capacity augmentation despite under utilisation of the existing dairies

The Department set up two new dairies of 20,000 lpd capacity each at Kankavali and Yeotmal and one chilling centre of 10,000 lpd capacity at Mahora at a total cost of Rs 6.53 crore though the capacity of the existing dairies was underutilised. The following points were noticed in audit:

The Kankavali dairy having capacity of 10,000 lpd was underutilised. It was noticed that utilisation of the dairy during 1991 to 2000 ranged from 3,161 lpd to 4,247 lpd which was less than 50 *per cent* of its capacity. A new dairy of capacity of 20,000 lpd was however, commissioned in April 2000 at a cost of Rs 3.11 crore. The establishment of a new dairy with higher capacity was injudicious as the quantity of milk handled in the dairy declined from 3,750 lpd in 2000-01 to 2,130 lpd in 2004-05.

The chilling centre at Yeotmal with 10,000 lpd capacity was never used to its full capacity. The average milk handled at the chilling centre during the ten years ending 1999-2000 ranged between 628 lpd and 4,093 lpd. A new dairy with capacity of 20,000 lpd was commissioned in July 2000 at a cost of Rs 2.46 crore. The capacity utilisation of the new dairy was exceedingly low ranging between 685 lpd to 1485 lpd during the period 2000-05.

¹² 1.76 lakh litres per day being 80 *per cent* of the installed capacity of 2.20 lakh lpd

The chilling centre at Mahora with 2,000 lpd capacity was sufficient as average milk procurement was only 1,550 litres. But the capacity of chilling centre was increased to 10,000 lpd (April 2004) by incurring expenditure of Rs 96 lakh. The quantity handled during 2004-05 was only 910 lpd.

The Department stated (October 2004) that the capacity augmentation was done as a part of the IDDP¹³ projects where funds were made available by the Central Government. The reply is not acceptable as even the initial capacity of the above dairies and the chilling centres was not being fully utilised.

3.8.6 Sale of Government dairies

The following Government dairies were sold by the Dairy Development Department on outright basis between December 2002 and January 2004.

Name of the Dairy	Date of sale of dairies	Name of the Purchaser	Market value of Plant and Machinery and Building	Sold at Book value of Plant and Machinery and Building	Loss
			(Rupees in lakh)		
Sangamner	20 December 2002	Sangamner Tal Dudh Utpadak Sangh	238.70	122.64	116.06
Wathar	17 July 2003	Koregaon Tal. Dudh Utpadak Sangh	Not assessed	2.84	--
Shirala	21 July 2003	Shirala Tal. Dudh Utpadak Sangh	28.84	1.75	27.09
Atpati	24 July 2003	Koregaon Tal. Dudh Utpadak Sangh	Not assessed	4.41	--
Kadegaon	17 December 2002	Sonhira Tal. Dudh Utpadak Sangh	41.98	12.03	29.95
Nira	3 January 2004	Baramati Tal. Dudh Utpadak Sangh	Not assessed	35.94	--
Ottur	4 August 2005	Pune Tal. Dudh Utpadak Sangh	Not assessed	73.20	--
Total				252.81	173.10

There was loss of Rs 1.73 crore due to sale on the basis of book value

Book value of the assets was incorrectly adopted as the basis for fixing selling price for building and plant and machinery (excluding land) resulting in loss of revenue to the Government and consequent undue benefits to the purchasers to the extent of Rs 1.73 crore. The Department stated (October 2004) that the sale was effected to reduce the burden of the Government. The methodology adopted for sale on the basis of book value of buildings, plant and machinery

¹³ Integrated Dairy Development Programme.

was, however, erroneous as the book value of an asset is merely an accounting figure and not an indicator of the actual market value of the assets.

As per Government directives (November 2002), if more than one party expresses its willingness for outright sale, the sale should be effected through competitive bidding. In violation of the Government directive, the sale of Shirala dairy was made to M/s. Shirala Sangh without calling competitive bids though four parties expressed their willingness to purchase the dairy. The Department stated (October 2004) that the purpose of the sale was not on commercial basis. The reply is not correct as the sale was effected in a non-transparent manner without calling competitive bids.

Sale of milk and milk products

About 90 *per cent* of the milk procured and processed at various Government Milk Schemes was despatched to the Greater Mumbai Milk Scheme for local distribution. Audit observed that there was loss on bulk sale of milk to private parties as discussed below:

3.8.7 Bulk sale of milk to private parties

The procurement price of milk is fixed by the Government for all the milk schemes. It was noticed that during 2000-2004, the milk schemes sold 30.79 crore litres of milk in bulk without processing to private parties at rates less than procurement cost by Rs 0.55 to Rs 1.95 per litre resulting in loss of Rs 41.08 crore. The apparent reason for bulk sales without processing was the lack of processing capacity in the Government dairies. Besides 92 *per cent* of the bulk milk sales was to a single party *i.e.*, DDIL.

Further, concession given to DDIL was the departure from the policy of delivery against upfront payment. The milk supply to DDIL was raised upto five lakh lpd (against maximum two lakh lpd as per agreement) as per their demand without obtaining additional Bank Guarantee towards security deposit. The departure was stated to be due to the Department's experience with DDIL being good. The reply is not tenable as the DDIL was irregular in payments and milk supply had to be stopped as the dues reached a staggering figure of Rs 59 crore (June 2003). Milk supply was resumed in April 2004 without collection of interest of Rs 9.61 crore on delayed payment of dues. Subsequently, the DDIL was given a benefit of Rs 3.66 crore by waiver of interest.

3.8.8 Conclusion

There was a decline in procurement of milk by the Government milk dairies during 2000-01 to 2004-05 due to inefficient working of the GMS. Excess payments were made to milk producers due to lack of testing of fat content and SNF content of milk in procurement of milk. Despite having sophisticated

testing machinery, no proper testing was done to detect adulteration while buying milk. Conversion of milk was outsourced based on flawed cost analysis leading to extra expenditure. Sale of Government dairies was made at less than market prices. Despite the underutilisation of the existing dairies, Rs 6.53 crore was spent on capacity augmentation. Bulk sales of milk, without processing it, were made to private parties at less than procurement cost leading to avoidable losses of Rs 41.08 crore.

3.8.9 Recommendations

- Testing of all milk procured should be ensured.
- Payment should be made as per actual quantity of fat content in the milk of different lots and not on average of lots on a particular day.
- Existing capacity of ‘conversion’ of milk should be used optimally.
- Sale of Government dairies should be based on the actual market value of the assets.