CHAPTER V

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION – A

AUDIT REVIEWS

5.1 Swarnjayanti Gram Swarozgar Yojana (Rural Development Department)

Summary Highlights

The Swarnjayanti Gram Swarozgar Yojana was introduced from April 1999 to raise the assisted families above poverty line in three years by providing them with income-generating assets through a mix of bank credit and Government subsidy.

Test-check of the implementation of the scheme in six sample districts revealed that blocks had not prepared five year perspective plans, survey conducted to identify families below poverty line was incomplete, families covered were less than targeted number during the first three years, key activities were selected with inadequate projected income, actual income realised from projects falling short of the targeted income, utilisation of Training/Infrastructure/Revolving funds for ineligible activities, diversion of funds to other Central/State schemes, over-reporting of financial and physical achievements etc.

- The projected income in 10 selected activities was far below the targeted income of Rs 2000 per month and ranged between Rs 169 and Rs 1953 at the end of the third year. Hence, assistance of Rs 2.58 crore released to 249 Self Help Groups in five districts was unfruitful. The reported income for 126 out of 127 Self Help Groups interviewed was less than Rs 2000 per month per family.

(Paragraph 5.1.4.1 (a) and (b))

- In 6 sample districts, there was mis-reporting of expenditure by District Rural Development Agencies to the tune of Rs 20.35 crore under 'Subsidy', Rs 4.34 crore under 'Infrastructure' and Rs 2.96 crore under 'Training'. Further, the actual amount released to banks/executing agencies in 5 sample districts was less than reported to Government of India, by Rs 10.06 crore.

(Paragraph 5.1.5.2.2(b)

- Scheme funds of Rs 5.95 crore were temporarily diverted to various other State/Central schemes and other activities. Out of the above, Rs 1.41 crore were pending recoupment.

(Paragraph 5.1.5.2.6)

- As against the envisaged coverage of 1.45 lakh below poverty line families in six districts during 1999-2002, the actual coverage was only 17808 but was reported as 45549 families. District Rural Development Agencies failed to cross check the actual number of individuals/ Self Help Groups assisted.

(Paragraphs 5.1.7.3.1 and 5.1.7.3.2)

- There was excess payment of Rs 1.10 crore to 347 groups engaged in dairy farming. The activity was undertaken individually though the subsidy was obtained for group activity.

(Paragraph 5.1.8.3(a))

- Rupees 4.96 crore was irregularly spent from Swarnjayanti Gram Swarozgar Yojana infrastructure fund on inadmissible items.

(Paragraph 5.1.9.2(a) (b) and (c))

5.1.1 Introduction

To overcome the inherent problems of Integrated Rural Development Programme (IRDP) and allied programmes, Government of India (GOI) consolidated these programmes and restructured the self-employment programmes as Swarnjayanti Gram Swarozgar Yojana (SGSY) from 1 April 1999. SGSY aimed at bringing every assisted family above the poverty line in three years with the focus on group approach. Number of below poverty line (BPL) families identified in 1998-99 was 27.38 lakh, which on resurvey, increased to 31.01 lakh in July 2000.

The expenditure on the programme is to be shared in the ratio of 75:25 between GOI and States. While assistance was extended both to individuals and groups, more emphasis was on group approach.

The programme also stipulated that the unspent balances in the erstwhile schemes *viz*., IRDP, Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Tools to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY), Million Wells Scheme (MWS) etc., as on 1 April 1999 would be pooled under SGSY.

5.1.2 Organisational set up

The Secretary, Rural Development Department and the Director of Rural Development (DRD) were responsible for planning, implementation, monitoring and evaluation of the programme at the State level.

At district level, District Rural Development Agencies (DRDAs) were responsible for execution of the programme through Block Development Officers (BDOs) with the active involvement of banks, line departments and Non-Government Organisations (NGOs).

5.1.3 Audit coverage

A review of the programme from 1999-2002 was conducted from November 2001 to May 2002 by test-check of records in Rural Development Department, Directorate of Rural Development, six DRDAs[1] and 94 blocks in the six districts.

5.1.4 Planning

The scheme envisaged detailed planning by DRDA for key activity selection. The key activities were to match the abilities of the beneficiaries within the potential of the district to generate adequate income for the beneficiaries.

Five year perspective plan not drawn by most of the blocks in sample districts.

State Government required a detailed five year perspective plan to be drawn up by each block, covering at least 30 *per cent* of the poor families. However, out of 94 sample blocks, 70 did not prepare such a plan, 19 blocks did not furnish information in this regard to Audit and only the remaining 5 blocks had prepared such a plan. District plans had not been prepared in the six sample districts in the absence of block perspective plans.

5.1.4.1 Deficiencies in selection of key activities

The programme envisaged the key activities being identified in each block based on local resources, aptitude/ skill of the people, available infrastructure in terms of production, training and back-up marketing facilities. After the initial approval by Block SGSY Committee of the key activities recommended by the Panchayat Samithi, the list was to be finally approved by the District SGSY Committee. The key activities so selected would normally be valid for five years. Project reports were to be prepared for each key activity to generate net income of at least Rs 2000 per month per family in the third year. The key activities selected could be reviewed after two years.

Out of the total assistance provided under 63 key activities to 946 Self Help Groups (SHGs) in 6 sample districts during 1999-2002, the major share of assistance was provided to 456 SHGs under dairy farming. A perusal of the implementation of SGSY revealed the following deficiencies.

For 249 SHGs, the projected income was below Rs 2,000 per month.

(a) The project reports of 40 key activities in five sample districts revealed that the income projected at the end of the third year in 10 activities ranged between Rs 169 and Rs 1953. Selection of such key activities would not enable the beneficiaries to emerge out of poverty line. The assistance of

[1] Coimbatore, Cuddalore, Dharmapuri, Kancheepuram, Madurai and Tiruvannamalai.

Rs 2.58 crore extended to 249 SHGs for these key activities in 5 districts was, thus, unfruitful.

Projected level of income in respect of 126 SHGs not achieved.

(b) Information made available by 127 SHGs in five sample districts revealed that the income earned per month per family was upto Rs 500 for 49 SHGs (39 *per cent*), between Rs 501 to Rs 1000 for 37 SHGs (29 *per cent*), between Rs 1001 to Rs 1500 for 30 SHGs (24 *per cent*) and between Rs 1501 and Rs 2000 for 10 SHGs (8 *per cent*); income of more than Rs 2000 per month per family was reported for one SHG only. This clearly indicated that the intended objective of getting sustainable income was not achieved by selection of these activities.

(c) As per the feedback from the SHGs in 3 sample districts, even the projected level of income was not achieved in selected key activities.

Name of sample district	Name of the key activity	Number of beneficiaries	Projected income per beneficiary	Achieved income (average income per beneficiary)
Cuddalore	Cashew processing	20	Rs 3391 in the first year	Less than Rs 2000
Tiruvannamalai	Dairy farming	20	Rs 852 in the first year	Less than Rs 500
Kancheepuram	(i) Floriculture	10	Rs 1019 in the first year	Less than Rs 500
	(ii) Toys making	15	Rs 3178 in the first year	Less than Rs 1000

Cost of the project sanctioned under some of the activities was below the approved cost.

(d)(i) Project cost for key activities was fixed with reference to the project reports approved by District SGSY Committee, where the Lead Bank Manager was the convenor with representatives from all nodal banks as members. Test-check in 4 districts revealed that the sanctioned cost of the project for 153 SHGs was below the approved project cost, as detailed below:

	Name of the District	Name of the Activity		Approved Project Cost (Rupees in lakh)	Project cost sanctioned by DRDA
1.	Dharmapuri	(i)	Readymade garment production	4.22	Varied between Rs one lakh and Rs 2.81 lakh in 7 cases
		(ii)	Foot Mat Weaving	3.07	Rs One lakh in one case
		(iii)	Dairy farming	6.21	upto Rs 2 lakh in 24 cases; between Rs 2 lakh and Rs 3 lakh in 54 cases; and between Rs 3 lakh and Rs 3.64 lakh in 13 cases
2.	Madurai		Toys making	2.80	Rs 1.50 lakh in 4 cases
3.	Tiruvannamalai		Readymade garment production	4.22	Rs 1.31 lakh in two cases
4.	Kancheepuram		Dairy farming	5.02	upto Rs 2 lakh in 17 cases; between Rs 2 lakh and Rs 3 lakh in 25 cases; and between Rs 3 lakh and Rs 3.4 lakh in 6 cases

As per the information made available by SHGs, the income derived from the activities *viz*., Readymade garments production (1 SHG) and Dairy farming (10 SHGs) in Dharmapuri District was less than Rs 2000 per month.

Disbursement of amount less than the project cost.

(ii) Test-check also revealed that in all economic activities (except dairy farming) the banks did not disburse full project cost to all SHGs. During 1999-2002, the banks disbursed only Rs 1.71 crore (subsidy: Rs 1.36 crore; and bank loan: Rs 0.35 crore) to 195 SHGs against the project cost of Rs 3.45 crore (subsidy: Rs 1.57 crore and bank loan: Rs 1.88 crore) resulting in retention of subsidy of Rs 0.21 crore by banks besides non-release of bank loan of Rs 1.53 crore.

As the project cost for each activity was approved on the basis of investment required and net income accruable to the swarozgaris/SHGs, downsizing the investment by banks would not help the SHGs in crossing the poverty line.

5.1.4.2 Non-provision of second animal

Loan for purchase of second animal was not released to 85 SHGs.

Even under 'dairy farming' activity, the loan for purchase of second animal should be disbursed six months after the disbursement of loan for the first animal in order to have continuous income. The Public Accounts Committee in their 177th Report (presented in XI Assembly on 23 April 1999) recommended that the Department should have taken action to get the loan for the second animal as it was a part of benefit under the scheme. However, in respect of 85 SHGs, the loan for purchase of second animal was not disbursed.

5.1.5 Financial outlay and expenditure

5.1.5.1 Pattern of assistance

Central allocation was distributed amongst the States in relation to incidence of poverty. Additional parameters like absorption capacity and special requirement were also taken into account. The DRDAs were allowed to incur expenditure on the following components at specified percentages.

Name of the Component	Expenditure allowed
Training	- 10 *per cent* of the allocation
Infrastructure fund	- 20 *per cent* of the allocation
Provision to Revolving Fund to Self Help Groups	- 10 *per cent* of the allocation
Subsidy for economic activity	- 60 *per cent* of the allocation

A risk fund for consumption credit could be created with one *per cent* of SGSY funds at district level to provide risk fund assistance to the banks distributing consumption loans. Funds for administration were provided separately as grants for "DRDA Administration". Funds for taking up special projects under SGSY were released separately by GOI.

5.1.5.2 Funds released and utilised

The release of funds under SGSY and expenditure incurred, as reported by DRDAs are as under:

(Rupees in crore)

Year	Opening Balance	GOI Share released	State Share released	Amount Transferred from old scheme	Total available funds	Expen-diture reported	Closing Balance
1999-2000	Nil	54.11	17.23*	38.90	110.24	102.35	7.89
2000-2001	7.86**	57.70	16.82	8.06	90.44	85.79	4.65
2001-2002	4.56**	31.69	12.94	8.99	58.18	54.46	3.72

* Rupees 0.80 crore being the excess amount released by State Government under IRDP and TRYSEM during previous years not included.

** the opening balance as modified by DRD based on the audit reports of DRDAs

A Finance Tree indicating the expenditure reported and test-checked along with the amount diverted, misused etc., in the sample districts is given in Appendix XXX. The expenditure diverted, misused etc., amounted to 58.6 *per cent* of the expenditure test-checked. Perusal of connected records revealed the following deficiencies in release and utilisation of funds, reporting of expenditure, etc.

5.1.5.2.1 Delay in release of funds by State Government

Delays ranged from 1 to 4 months in release of State share.

Delays ranging from 1 to 4 months were noticed on 9 occasions in the release of State share after release of GOI share. The DRD attributed (July 2002) the delay to belated receipt of GOI sanction. However, as seen from the GOI release orders, copies were being marked to DRD and Government simultaneously.

Delays ranging from 1 to 4 months in release of funds by DRD to DRDAs.

Further, delays ranging from 1 to 4 months were also noticed in actual receipt of State share by the six sample DRDAs. DRD drew and disbursed Rs 5.58 crore belatedly.

5.1.5.2.2 Inflated reporting of financial achievement

Unutilised subsidy and other assistance returned by implementing agencies/blocks, were reported to GOI as Miscellaneous receipts.

(a) As per the Annual progress report sent to GOI, there were huge amounts of unutilised subsidy and other assistance returned by the implementing agencies/blocks in the succeeding years and credited as Miscellaneous receipts in DRDA accounts. At the end of 1999-2000, 2000-2001 and 2001-2002, these were Rs 12.63 crore, Rs 6.85 crore and Rs 7.91 crore respectively. To this extent, the actual reach of the programme had been limited and hence expenditure was inflated.

Excess reporting of achievement by DRDAs under subsidy, infrastructure and training in 6 sample districts.

(b) Perusal of DRDA's reports of physical and financial achievement relating to disbursement of subsidy to individuals and SHGs during 1999-2002 in six sample districts revealed that achievement reported was inflated by Rs 20.35 crore under subsidy disbursed, Rs 4.34 crore under infrastructure and Rs 2.96 crore under training (Appendix XXXI).

The achievement figures reported to GOI were more than the actual amount released to banks/executing agencies.

Since funds released as advance were treated as final expenditure, there was overstatement of expenditure. Also, funds released to banks towards subsidy was reported as expenditure, while the actual release to beneficiaries by banks was much less. Details of the actual expenditure and unutilised amounts with various executing agencies were not collected. Similarly, the actual number of individuals/SHGs and actual amount of subsidy disbursed by banks were not ascertained by DRDAs.

Test-check of records in five sample districts also revealed that the actual amount released to banks/executing agencies was less than the figures reported as achievement in the progress report to GOI. The difference or excess reporting was Rs 10.06 crore during the period 1999-2002 (Appendix XXXI).

(c) The expenditure per beneficiary in the six sample districts worked out to Rs 13943 after excluding the amounts reported in excess and inadmissible expenditure.

(d) Test-check of records relating to disbursement of subsidy in sample districts revealed the following.

(i) The DRDAs disbursed the subsidy to the designated nodal banks. On disbursement of subsidy, the service branches would raise a claim against the nodal banks. Thus, subsidy accounts with the nodal banks would not be debited unless the subsidy was actually disbursed by the service branches.

Funds released directly to service branches of the banks.

In deviation of these guidelines, DRDA, Coimbatore released Rs 5.45 crore through demand drafts/cheques directly to the service branches between September 2001 and March 2002. Of this, only Rs 0.59 crore were disbursed as subsidy and Rs 4.86 crore were kept at the disposal of the service branches. Together with the loan component of Rs 4.86 crore, a sum of Rs 9.82 crore (Project cost of Rs 11.24 crore less disbursed amount of Rs 1.42 crore) remained undisbursed to 458 SHGs. Besides, the entire subsidy released to banks was reported as achievement resulting in excess reporting. The undisbursed amount would not also earn interest, as the amount was released direct to the service branches instead of to nodal banks.

Details of destination of transfer of Rs 1.33 crore from nodal bank accounts by DRDA Coimbatore not available.

(ii) DRDA, Coimbatore transferred Rs 1.77 crore from 12 nodal bank subsidy accounts on 31 March 2000 and reported the same as expenditure on subsidy. These amounts were subsequently transferred back to nodal bank accounts during April to September 2000. However, in respect of Rs 1.33 crore, the destination of the transfers during the interim period was not verifiable as no cash book was maintained by the DRDAs for nodal bank accounts. This requires departmental investigation.

(iii) Non-refund of unutilised subsidy

Undisbursed subsidy in Dharmapuri.

DRDA, Dharmapuri during 1999-2000 released to 150 SHGs Rs 166.25 lakh towards subsidy. Of this, Rs 138.51 lakh were disbursed to 125 SHGs. Sanction orders in respect of 25 SHGs were cancelled due to administrative reasons. Out of the balance of Rs 28.18 lakh (including subsidy towards insurance: Rs 0.44 lakh), Rs 14.93 lakh were yet to be refunded by the service branches as of February 2002. DRDA, Dharmapuri stated that action would be taken to recover the balance.

5.1.5.2.3 Non-allocation of funds to components as per the prescribed percentage

As per guidelines, DRDAs were allowed to incur expenditure for training, creation of infrastructure and provision of Revolving Fund at the prescribed 10, 20 and 10 *per cent* of the allocation respectively.

Less allocation by DRDAs, Dharmapuri and Madurai towards Infrastructure and Training components.

(a) Test-check of records in DRDAs Dharmapuri and Madurai revealed that during 1999-2002, there was less allocation to the extent of Rs 167.69 lakh in Dharmapuri District (Infrastructure : Rs 111.84 lakh and Training : Rs 55.85 lakh) and by Rs 65.84 lakh in Madurai District (Infrastructure : Rs 34.35 lakh, Training : Rs 6.85 lakh and provision to Revolving Fund: Rs 24.64 lakh). Less allocation under these components would mean that the benefits were lost to the SHGs/Swarozgaris in these districts.

In Cuddalore District, no separate accounts for various components maintained; excess allocation was made under infrastructure.

(b) DRDA, Cuddalore did not allocate funds to various components and maintain separate accounts. However, during this period, against the allocable amount of Rs 135.94 lakh for infrastructure, a higher allocation of Rs 158.75 lakh was made, depriving the other components their share, thereby resulting in deprival of benefits to individuals/SHGs. The actual expenditure, as verified from the records of blocks/DRDAs, was only Rs 62.01 lakh in the district.

5.1.5.2.4 Expenditure incurred on inadmissible items

Test-check of records of the six sample districts revealed that the expenditure incurred on the following items was not admissible.

Expenditure incurred on inadmissible items.

Rupees 22.35 lakh incurred out of Training fund by six DRDAs[2] towards training under Entrepreneurs Development Programme, a State scheme, was inadmissible.

5.1.5.2.5 Incorrect reimbursement of group formation cost

The programme envisaged that Rs 10,000 per group would be required as investment for formation of groups over 3 to 4 years. State Government decided (September 1999) to utilise the resources available under SGSY for groups formed under Mahalir Thittam, a State scheme.

In Madurai, Cuddalore and Kancheepuram, Rs 9.08 lakh were reimbursed towards the group formation cost to 175 SHGs which were formed prior to 1 April 1999. As the SGSY commenced only from 1 April 1999, reimbursement for SHGs formed prior to April 1999 was not in order. Further, Rs 2.08 lakh were reimbursed to 43 SHGs in 2 districts (Madurai and Cuddalore) for which dates were not available.

5.1.5.2.6 Temporary diversion of funds

Amount pending recoupment out of temporary diversion.

Test-check of records in sample districts revealed that Rs 5.95 crore were temporarily diverted for periods ranging from one to 24 months to various other State/Central schemes and other activities. While Rs 4.54 crore were recouped, Rs 1.41 crore were pending recoupment (March 2002). This temporary diversion also resulted in a loss of interest of Rs 13.12 lakh.

5.1.5.2.7 Amounts pending transfer from earlier schemes

As per the instructions of GOI, the unutilised balances on 1 April 1999 under the erstwhile schemes were required to be transferred to SGSY fund.

Amount not transferred to SGSY from erstwhile schemes.

Rupees 29.30 lakh were awaiting transfer to SGSY from the earlier schemes as of May 2002, as under:

(a) Rupees 14.03 lakh transferred (November 1999) from Million Wells Scheme (MWS) to Employment Assurance Scheme (EAS) in Dharmapuri District based on the orders of DRD was not recouped from EAS.

(b) In Cuddalore District, balances of Rs 9.68 lakh relating to erstwhile schemes (Rs 3.61 lakh) and BPL survey amount of DRDA (Rs 6.07 lakh) were not transferred.

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2 Coimbatore : Rs 3.77 lakh, Cuddalore : Rs 1.52 lakh, Dharmapuri : Rs 4.30 lakh, Kancheepuram : Rs 3.38 lakh, Madurai : Rs 5.94 lakh and Tiruvannamalai : Rs 3.44 lakh.

(c) Balance of Rs 5.59 lakh in IRDP accounts of the DRDA, Kancheepuram is yet to be transferred.

5.1.6 Identification of beneficiaries

5.1.6.1 Survey of families below poverty line

Additions were continued to be made to the BPL list prepared after survey.

GOI released (March 1998) Rs 4.05 crore as cent *per cent* Central assistance to DRDAs under IRDP for conducting a survey of the families living below poverty line (BPL) in rural areas. The BPL list was to be utilised for implementation of all poverty alleviation programmes from 1 April 1999. The survey was completed (December 1999) by DRD. As there were complaints regarding omission of BPL families, an additional list was prepared by July 2000. The number of BPL families as per the original list was 27,37,921 and the number of families added as per additional list was 3,62,616. However, even after the additions, the blocks continued to add families to the BPL list during the sanction of assistance to individuals/SHGs under SGSY. This clearly indicated that the genuineness of additions made was not reliable and could not be verified in audit, as no records were produced in support.

In the proposals for sanction of assistance, the BDOs were required to indicate the BPL number against each member and certify that the names were in the BPL list, duly approved by Gram Sabha. However, scrutiny of records in sample districts revealed that

Inclusion of beneficiaries whose BPL numbers/names did not tally with BPL list.

(a) BDOs did not furnish the BPL numbers in respect of 1521 members in Dharmapuri District during 1999-2001. In 446 cases, though BPL numbers were furnished, the names did not tally with those in the list.

Members of SHGs and individuals could not be traced in BPL list.

(b) Names of 359 persons belonging to 54 SHGs and 46 out of 188 individuals assisted under the scheme could not be traced by Audit in the concerned BPL list of blocks in Coimbatore, Cuddalore and Madurai Districts.

5.1.7 Physical achievement

5.1.7.1 The objective of SGSY was to cover 30 *per cent* of BPL families in each block during the first five years and to raise them above poverty line in three years. According to the survey, the number of families below poverty line in the State was 31.01 lakh.

5.1.7.2 As per the progress reports on SGSY, the physical achievements under the programme were as under:

Year	Number of self help groups			Number of Swarozgaris			
	Formed	taken up economic assistance	provided with Revolving Fund	Trained	Received Government subsidy		Total
					In groups	Indivi-dually	
1999-2000	18,661	3,198	6,464	68,273	47,264	18,163	65,427
2000-2001	25,324	4,712	11,053	1,12,784	71,503	11,890	83,393
2001-2002	16,687	3,275	8,285	35,961	52,528	2,086	54,614

5.1.7.3 Test-check revealed the following.

5.1.7.3.1 Shortfall in coverage

Coverage of BPL families was less than the target.

No BPL family was assisted in 7 Blocks, in two districts.

The total number of BPL families in six sample districts was 8.27 lakh. As per the objective of SGSY, 1.45 lakh BPL families should have been covered during the first 3 years. However, number of BPL families (at the rate of one person per family) covered as reported by the blocks was only 17808 (12 *per cent*) leaving a shortfall of 1,27,469 families (88 *per cent*). The shortfall in coverage ranged between 80 and 94 *per cent*. No BPL family was assisted in 7 blocks[3] in 2 districts during the first three years though there were 42,767 BPL families in those districts.

In sample districts, shortfall in coverage of SC/ST BPL families ranged between 83 and 94 *per cent*.

Similarly, in the sample districts, there was a shortfall in coverage of SC/ST BPL families during the first three years ranging between 83 and 94 *per cent*. Further, no SC/ST BPL family was assisted in 12 blocks. In one block (Saint Thomas Mount), the BDO reported that the bank did not process any application due to dearth of staff. In respect of other blocks, no reply has been received.

5.1.7.3.2 Inflated reporting of physical achievement

DRDAs reported much larger number of persons assisted than what the records of blocks revealed.

While as per the progress reports of six sample DRDAs, 45549 BPL persons (5413 individuals and 2473 SHGs consisting of 40136 persons) were assisted under the scheme, the actual number assisted as per the details furnished by the blocks was only 17808 (2695 individuals and 946 SHGs consisting of 15113 persons). Thus, it is evident that DRDAs failed to cross-check and/or inflated the actual number of individuals/SHGs assisted under the scheme.

Similarly, the number of BPL persons belonging to SC/ST assisted during the same period was reported as 21669 whereas the actual number was only 6253.

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3 Anamalai (6527), Pollachi South (6971), Pongalur (6504), Saint Thomas Mount (4136), Sulur (5212), Tiruppur (6198) and Thondamuthur (7219).

5.1.8 Programme Implementation

5.1.8.1 Grading of SHGs

The scheme contemplates grading of SHGs by DRDAs at different stages of their evolution to identify weakness if any and help the groups to overcome the same. Six months after formation of the group, it should be subjected to the first grading test and only thereafter the Revolving Fund should be released to the groups. At the end of six months from the date of receipt of revolving fund, the SHGs will be subjected to another grading test to see whether they have been functioning effectively. After successfully passing the second stage, the SHGs are eligible to receive the assistance for economic activities.

Scrutiny of records in test-checked districts revealed that there were following delays in grading and consequently release of revolving fund and subsidy was delayed.

(i) first grading was done in respect of 857 SHGs. There was a time gap of more than 12 and 24 months between the formation of group and grading in respect of 221 SHGs and 7 SHGs respectively.

(ii) similarly, there was a time gap of 7 to 12 months and 13 to 24 months between first grading and release of revolving fund in respect of 242 SHGs and 57 SHGs respectively.

(iii) there was a time gap of 7 to 12 months and 13 to 24 months between the release of revolving fund and second grading in respect of 65 SHGs and 16 SHGs respectively and

(iv) the time gap between second grading and release of subsidy was 1 to 3 months, 4 to 6 months, 6 to 12 months and more than 12 months in respect of 98, 20, 18 and 4 SHGs respectively.

5.1.8.2 Delay in disbursement of assistance by banks

The programme stipulated that the bank should disburse the subsidy and loan amount to the Swarozgaris as soon as they completed the basic orientation and skill training. The entire project cost was required to be disbursed in full.

Delays in disbursement of subsidy and loan by Banks for over 6 months.

Out of 946 SHGs to whom assistance was extended in six districts, there were delays of one to three months in disbursement of subsidy and loan by banks in respect of 170 SHGs (18 *per cent*), 3 to 6 months in respect of 178 SHGs (19 *per cent*) and more than 6 months in respect of 271 SHGs (29 *per cent*).

DRD stated (July 2002) that the delay in disbursement was due to delay in grading. The reply was not tenable, as the assistance was sanctioned only after grading. Such delays would postpone the accrual of intended benefits to the members of SHGs.

5.1.8.3 Excess release of subsidy to SHGs for economic activities

The programme envisaged payment of subsidy for economic activities on the following norms:

(i) for SC/ST Swarozgaris: 50 *per cent* of the project cost subject to a maximum of Rs 10000 (ii) for other Swarozgaris: 30 *per cent* of the project cost subject to a maximum of Rs 7500 and (iii) for SHGs: 50 *per cent* of the project cost subject to a maximum of Rs 1.25 lakh. The programme also contemplated formation of groups with 10 to 20 persons and in the case of minor irrigation activity, the minimum number of members was five.

(a) Dairy farming

Dairy farming activity was undertaken individually and not as a group activity resulting in excess payment of subsidy.

In 3 sample districts[4], the project reports for this activity mentioned that the animals would be maintained at the backyard of houses of the group members of SHGs. In Cuddalore District, the project cost was worked out taking into account the required infrastructure like common shed, bore-well, pump set etc. However, Audit found that the members of SHGs individually shared the assistance received for the group and maintained the animals individually; the milk produced was also sold individually and the income earned varied from member to member; no common dairy was established. Thus, this could not be termed as group activity and, as such, the subsidy should have been regulated with reference to the quantum admissible to individual swarozgaris. Accordingly, out of 447 groups assisted in 5 districts under this activity, there was excess payment of Rs 1.10 crore in respect of 347 groups.

(b) Orchid cultivation

As per the project report prepared for "Orchid cultivation" in Chittamur village of Kancheepuram District, the project cost was Rs 27.90 lakh (subsidy : Rs 10.45 lakh, Infrastructure : Rs 7 lakh and Bank loan : Rs 10.45 lakh) for a cluster[5] of eight SHGs of 5 members each, classifying the activity under minor irrigation. The project report also envisaged a net income per

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[4] Dharmapuri, Kancheepuram and Tiruvannamalai.

[5] Under cluster approach, the block concentrates on a few select activities covering many groups, and attend to all aspects of these activities.

month per beneficiary at the end of first three years as Rs 2030, Rs 2510 and Rs 3044 respectively.

Though classification of orchid cultivation as minor irrigation was not in order and the land did not belong to SHGs nor leased to them, funds were released towards subsidy and infrastructure.

Perusal of concerned records revealed that Rs 17 lakh (subsidy Rs 10 lakh and provision of infrastructure Rs 7 lakh) had been released by January 2001 and utilised by these groups. The classification of this activity under minor irrigation was not in order as the project report did not contemplate provision of any irrigation facility. Further, as the land did not belong to these SHGs nor was it leased to them, release of funds for infrastructure was also inadmissible. Moreover, after one year, the average income per month per member accrued to the eight groups was only Rs 411 due to low production and poor sales of orchids.

5.1.9 Creation of infrastructure

5.1.9.1 As per programme guidelines, provision of necessary infrastructure for SGSY was the responsibility of State Government. All possibilities of utilising State Plan funds, funds available under the Jawahar Gram Samrithi Yojana, Employment Assurance Scheme and other Centrally sponsored schemes should be exploited for infrastructure creation before utilisation of SGSY infrastructure fund. The infrastructure thus created should be available for full utilisation by the Swarozgaris and the Infrastructure Fund should not be utilised for creation of infrastructure of general nature. The project reports should spell out infrastructure already existing and additional infrastructure to be created. The SGSY Infrastructure Fund should not be utilised for augmentation of State's resources or for expenditure on State schemes.

5.1.9.2 Irregular utilisation of Infrastructure Fund

Infrastructure Fund was irregularly used towards creation of facilities in Animal Husbandry Department.

(a) In the sample districts, Rs 2.78 crore were spent out of SGSY Infrastructure Fund for construction of 18 veterinary dispensaries, 9 veterinary centres, 68 veterinary sub-centres, one farmer training centre, one semen collection yard, buildings for Mobile Unit and National Programme for Rinderpest Eradication, provision of AC plant for Frozen Semen Bank and a computer centre. The utilisation of Infrastructure Fund for the above purposes was irregular as (i) the facilities created were of a general nature, and should have been created out of State funds, (ii) there was no indication about these infrastructures in the project reports, (iii) the number of swarozgaris was either nil or negligible in the villages where the facilities were created and

(iv) in most of the cases, the facilities created were for shifting the centres from the existing rented buildings, which would not result in any additional benefit to Swarozgaris.

IRDP Infrastructure Fund used for creation of facilities in Animal Husbandry Department.

(b) After the introduction of SGSY in April 1999, DRDA, Madurai released (August 1999) Rs 44.88 lakh from IRDP Infrastructure Fund towards purchase of one TATA SUMO car (Rs 4.37 lakh) for the Mobile Unit of Animal Husbandry Department at Madurai, 13 motor vehicles (Rs 6.01 lakh) for Extension Officers (Animal Husbandry) in blocks, construction of 4 veterinary dispensaries (Rs 28 lakh) and construction of Farmers Training Centre at Veterinary Polyclinic, Tallakulam (Rs 6.50 lakh). These should have been created by State Government from their own funds.

Irregular expenditure from SGSY Infrastructure Fund.

(c) An expenditure of Rs 1.73 crore met from the SGSY Infrastructure Fund in the five sample districts in 18 cases was irregular due to release of funds (i) for creation of infrastructure to SHGs/individuals despite the non-sanction of any economic assistance under SGSY, (ii) for creation of infrastructure to State schemes, (iii) for schemes where the beneficiaries were not swarozgaris or the beneficiary groups did not contain the required number of members from swarozgaris, (iv) for items which had already been included in the project cost, (v) for incurring administrative expenditure, which should have been met out of grants under 'DRDA Administration' and (vi) where the approved project reports did not include the activities/construction for which the funds were released.

5.1.10 Special projects

According to the guidelines, 15 *per cent* of the funds under SGSY would be set apart for taking up Special Projects by State Government.

GOI (March 2000) sanctioned Rs 14.64 crore[6] towards a special project to strengthen marketing infrastructure and to establish a Nodal centre for Rural Technology in all 28 districts of the State and released (March 2000) their share of Rs 5.49 crore as first instalment. State Government released (May 2000) their matching share of Rs 1.83 crore as their first instalment. The project was proposed to be completed by March 2002. The funds were released to the following agencies:

[6] Construction of State Level Marketing Complex : Rs 2.50 crore, Construction of District Level Marketing Complexes : Rs 7.84 crore, Marketing Intelligence Cells: Rs one crore, Marketing Consultant : Rs 0.30 crore, Brand Equity Fund :Rs one crore and Establishment of Rural Technology Resource Unit and preparation of project profile : Rs 2 crore.

(Rupees in crore)

Name of the agency/department	Amount released	
Secretary, Panagal Building Society, Chennai		
(a) Construction of State Level Marketing Complex at Chennai (SLMC)	1.25	1.95
(b) Brand Equity Fund	0.50	
(c) For Marketing Consultant	0.15	
(d) Marketing Intelligence Cells	0.05	
State Institute of Rural Development (SIRD) for establishment of Rural Technology Resource Unit and preparation of project profile		1.00
Project Officer, DRDAs of 28 districts		
(a) Construction of District Level Marketing Complexes	3.92	4.37
(b) Marketing Intelligence Cells	0.45	
		7.32

The following observations are made in this regard.

(i) SIRD was entrusted with the task of establishing Rural Technology Resource Unit (RTRU) and preparation of project profiles. The Institute gave (February 2001) a utilisation certificate for Rs 60.13 lakh to DRD, whereas Audit observed that the entire amount was kept in Fixed Deposit. When this was pointed out, the Institute stated (April 2002) that misreporting was due to typographical error and the actual expenditure was only Rs 0.87 lakh.

Amount was lying unutilised with SIRD in Fixed Deposits for over 2 years.

In lieu of the earlier proposal, DRD proposed two RTRUs, one each at T. Kalluppatti and Krishnagiri, to GOI in February 2002 for which the clearance from GOI was awaited (July 2002). Thus, due to lack of proper planning in location of the RTRUs at the initial stage, Rs 99.13 lakh were lying in Fixed Deposits for over 2 years, giving unintended benefit to the Institute.

Construction of 14 District Level Complexes was not completed as of July 2002.

(ii) As of March 2002, the construction of District Level Complexes was at different stages in 23 districts. As regards the remaining five districts, the construction was yet to commence due to lack of technical sanction, non-identification and non-availability of site, etc. The DRD stated (July 2002) that 14 complexes have been completed and the remaining would be completed before the end of 2003. However, out of Rs 3.92 crore allocated to DRDAs, particulars of expenditure to the tune of Rs 1.59 crore in respect of 9 DRDAs alone were obtained and made available to Audit.

5.1.11 Monitoring and Evaluation

5.1.11.1 Non-maintenance of monitoring card

Additional guidelines prescribed by State Government required (October 1999) the maintenance of a monitoring card for each Swarozgari to keep a watch on the income earned and monitor repayment of the loans.

Monitoring cards to keep a watch on the income level of swarozgaris and repayment of loan were not maintained.

Out of 94 blocks, BDOs of 80 blocks reported that the card was not being maintained by them and 14 BDOs did not furnish any information. As such, the achievement of the important objective of "Swarozgaris crossing the poverty line" could not be ensured.

5.1.11.2 Though monthly meetings were conducted by District Collectors deficiencies pointed out in audit clearly indicated that the monitoring of the scheme was very much wanting.

5.1.11.3 The programme envisaged formation of Block Level SGSY Committee with the Project Officer, DRDA as Chairman, the BDO as convenor and the members from participating banks and line departments to ensure co-ordination among all agencies involved in the implementation of SGSY.

Block Level SGSY Committees were not formed.

Out of 94 sample blocks, 23 blocks did not form the SGSY Committee and the information is still awaited from 11 Blocks.

Details of selected key activity, names of groups, amounts of recoveries under SGSY not communicated by banks.

5.1.11.4 Service branches of banks were required to furnish a list regarding the selected key activity to Gram Panchayat/BDO for getting their approval and also to communicate the name of the selected group; the banks were also to report separately the amount of recoveries under SGSY. However, the BDOs of the sample districts stated that no such details were being received from the banks and the same were collected from the banks as and when required.

5.1.12 Conclusion

The scheme was launched in April 1999 with the objective of raising the beneficiary families above poverty line through selected key activities in three years. However, faulty selection of key activities, extending assistance for some activities that was less than the approved project cost, lower income earned from the key activities and low coverage of BPL families resulted in non-achievement of the desired objective. Besides, the BDOs did not maintain records to watch the repayment of loan by the beneficiary and income earned. There was inflated reporting of number of beneficiaries and financial assistance given in the progress reports. These indicate poor monitoring of the scheme.

The above points were referred to Government in July 2002; reply had not been received (December 2002).

5.2 Rural Housing Schemes (Rural Development Department)

Summary Highlights

To provide shelter to the rural poor, a number of schemes are being implemented by State Government with assistance from the Government of India from 1980 onwards. The number of families below poverty line eligible for benefits of rural housing was estimated at 31.46 lakh according to 1991 census. So far, only 5.75 lakh families have been provided with shelter, which was only 18.3 per cent of the eligible families. A review of Indira Awaas Yojana for the period 1997-2002 revealed that funds provided for RCC roofing were diverted, funds meant for creation of infrastructure were used for construction of group houses, houses were allotted to male members instead of female members of the family, etc.

- Rupees 1.96 crore were diverted to other schemes and recoupment time ranged between one and seventeen months in 3 sample districts.

(Paragraph 5.2.4.3 (a))

- Rupees 1.56 crore were transferred to Post Office Savings Account for achieving small savings target and recoupment was made after an interval of upto 2 months in three sample districts.

(Paragraph 5.2.4.3 (b))

- Funds provided for roofing were not utilised fully; savings were diverted for construction of houses in six Panchayat Unions.

(Paragraph 5.2.4.3 (c))

- In 18 Panchayat Unions, 5685 out of 9160 houses were allotted to male members of the family instead of female.

(Paragraph 5.2.4.5 (e))

- In 21 Panchayat Unions, Rs 2.31 crore meant for infrastructure were diverted and utilised for construction of houses.

(Paragraph 5.2.4.5 (f))

- Under credit-*cum*-subsidy scheme, as against the target of 13,731 houses fixed by Government of India for the period 1999-2002, only 7790 houses (56.7 *per cent*) had been completed.

(Paragraph 5.2.7.2)

Under credit-*cum*-subsidy scheme, banks released Rs 2.43 crore out of Rs 2.99 crore released by District Rural Development Agencies; only 2431 beneficiaries out of 2989 could be benefited.

(Paragraph 5.2.7.3)

5.2.1 Introduction

Indira Awaas Yojana (IAY) was launched in 1985-86 as a sub-scheme of Rural Landless Employment Guarantee Programme (RLEGP) to provide houses to the Scheduled Castes (SC), Scheduled Tribes (ST) and Freed Bonded Labourers living below poverty line (BPL). On merger with Jawahar Rozgar Yojana (JRY) in April 1989, RLEGP became a component of JRY. However, IAY became an independent scheme from 1 January 1996.

The following other rural housing schemes were also launched by Government of India (GOI).

1. Credit-*cum*-Subsidy Scheme for Rural Housing (April 1999)
2. Samagra Awaas Yojana (April 1999)
3. Innovative Stream for Rural Housing and Habitat Development (April 1999)
4. Setting up of Rural Building Centres (April 1999)
5. Pradhan Mantri Gramodaya Yojana (Gramin Awaas) (April 2000)

The main objectives and funding pattern in respect of all the Rural Housing Schemes are given in Appendix XXXII.

5.2.2 Organisational set up

Director, Rural Development (DRD) is the nodal officer for the programmes at the State level. At the district level, Collectors coordinate through District Rural Development Agencies (DRDAs). The Block Development Officer (BDO) is responsible in the Panchayat Union. The President of the Village Panchayat, to whom funds under IAY and Pradhan Mantri Gramodaya Yojana (PMGY) are released directly by DRDAs, implements the programmes at village level.

5.2.3 Audit coverage

The audit review was conducted during December 2001 to May 2002 covering the period from 1997-2002. Test-check of records in Rural Development Department and in the offices of DRD, Chennai, 7 DRDAs, 27 Panchayat Unions (PUs) and Village Panchayats under their control was conducted. Besides, records of 4 DRDAs of Innovative Stream for Rural Housing and Habitat Development were test-checked.

5.2.4 Indira Awaas Yojana

5.2.4.1 A ceiling of Rs 20,000 in plain areas and Rs 22,000 in hilly/difficult areas was fixed by GOI as construction assistance. The expenditure is shared between GOI and the States in the ratio of 75:25 with effect from 1 April 1999. In addition, the State Government provided Rs 12,000 per house towards RCC roofing (Rs 7000 upto 1997-98). Twenty *per cent* of the allocation has been earmarked for conversion of unserviceable kutcha houses into pucca/semi-pucca houses, from 1999-2000.

5.2.4.2 Financial performance

Funds released and expenditure incurred on the scheme are as follows:

(Rupees in crore)

Year	Opening Balance	Funds released		Additional Funds released by State towards RCC roofing	Miscella-neous Receipt*	Total Funds available	Expen-diture	Closing Balance
		Central Share	State Share					
1997-98	10.12	95.38	68.68	39.40	2.30	215.88	208.81	7.07
1998-99	7.07	79.33	18.70	32.07	7.65	144.82	139.42	5.40
1999-2000	5.40	68.20	16.27	61.64	12.97	164.48	161.66	2.82
2000-2001	2.82	62.37	21.03	40.27	4.43	130.92	126.38	4.54
2001-2002	4.54	59.18	19.73	36.95	4.15	124.55	120.65	3.90

* **represents interest received on the scheme funds and unspent balances refunded by Village Panchayats**

A Finance Tree indicating the expenditure reported and test-checked along with the amount diverted, misused etc., is given in Appendix XXXIII.

5.2.4.3 Diversion of Funds

Funds diverted to other schemes and delayed recoupment.

(a) During 1997-2001, in 3 sample districts[1], Rs 1.96 crore were temporarily diverted to other schemes/General fund of Panchayat Unions and the time taken for recoupment ranged between one and seventeen months. In Tiruvennainallur Panchayat Union of Villupuram District, out of Rs 9.31 lakh diverted during 2000-2001, Rs 1.95 lakh had not been recouped as of March 2002. Rupees 12.21 lakh were diverted by DRDA, Madurai towards administrative expenses from IAY scheme instead of meeting from Jawahar Velai Vaippu Thittam funds.

[1] DRDA Madurai, Salem and Villupuram.

Rupees 1.56 crore of IAY funds were transferred to post office savings account in 3 sample districts.

(b) In three sample districts, Rs 1.56 crore were deposited into Post Office Savings Account for achieving small sa33vings target and recouped after a gap of upto 2 months.

Rupees 74.93 lakh provided by State Government towards RCC roofing was diverted for construction of other parts of the house.

(c) Details furnished by 6 PUs revealed that in 2305 houses, constructed between 1998-2002, the expenditure incurred on roofing varied between Rs 7000 and Rs 11,097 per house against the ceiling of Rs 12,000 per house. Thus, money provided for RCC roofing was diverted to the extent of Rs 74.93 lakh for construction of other parts of the house in the above 2305 cases.

5.2.4.4 Inadmissible expenditure

House insurance and electricity connection deposit charges amounting to Rs 3.52 lakh were paid from the scheme funds.

DRDA Coimbatore and two Panchayat Unions[2] spent from IAY funds Rs 2.39 lakh on godown rent, repair to office jeep and fuel charges, which was not admissible. In two Panchayat Unions[3], Nominal Muster Roll (NMR) wages amounting to Rs 1.37 lakh were paid, which indicated that the works were executed departmentally through the Panchayat Assistants. The above included Rs 0.30 lakh paid as supervision charges to Technical Assistants, which was deducted from the subsidy released to 207 beneficiaries. In three Panchayat Unions[4], Rs 3.26 lakh were paid towards house insurance premium which was deducted from the assistance due to the beneficiary; similarly, the electricity connection deposit charge of Rs 0.26 lakh was met out of the assistance for construction, contrary to the guidelines.

5.2.4.5 Deviations from scheme guidelines

(a) According to guidelines issued by DRD (1997-98), funds should be released by Project Officer (PO)/DRDA directly to the "Scheme fund Account" of the Village Panchayats concerned.

DRDA Salem showed Rs 30 lakh as spent in its report to GOI for March 2000 whereas Rs 21.04 lakh had been refunded subsequently by PUs unused.

DRDA, Salem released (March 2000) Rs 30 lakh to 20 PUs for release to Village Panchayats. The Village Panchayats, instead of utilising the amounts returned the amounts to PUs, on receipt of subsequent year's allotment. So far, Rs 21.04 lakh had been refunded by 14 PUs and Rs 8.96 lakh are yet to be refunded by 6 PUs. In effect, the DRDA showed Rs 30 lakh as expenditure, whereas most of it had been refunded subsequently.

(b) DRDA, Cuddalore released Rs 3.65 crore to 13 PUs during 1999-2001, instead of directly to Village Panchayats.

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2 Tiruvennainallur and Thyagadurgam.
3 Thyagadurgam and Thondamuthur.
4 Mayiladuthurai, Nagapattinam and Thirumarugal.

DRD standardised prototype design to the group houses contrary to the scheme guidelines.

(c) As per guidelines, the design of the house is left to the discretion of the beneficiary. However, the plinth area should not be less than 20 square metres. Contrary to this, the DRD standardised a prototype design of group houses with a hall, kitchen, chullah and latrine within 20 square meter area which was adopted in all PUs.

Group houses were constructed through contractors/kattida maiyams in 4 sample districts.

(d) The guidelines state that no contractor/Government Department or external agency should be engaged for construction of dwelling units. The beneficiaries should be involved in the construction. But, in Coimbatore, Salem and Villupuram Districts, beneficiaries had given standard letters in writing preferring construction by Panchayats due to non-availability of manpower and lack of time. Thus, all the 2608 houses were constructed by Panchayat assistants in 10 Panchayat Unions in the 3 districts. It was also noticed that 86 group houses valued Rs 27.52 lakh were constructed by external agencies *viz*., Kattida Maiyams (Building Centre) at Coimbatore and Madurai.

In 6 districts, 5685 out of 9160 houses were allotted to male members.

(e) Guidelines envisage that allotment of group houses should be in the name of female member or jointly in the name of husband and wife. But it was noticed in 18 Panchayat Unions of 6 districts that 5685 out of 9160 houses were allotted to male members as the "Pattas" were in the name of male members.

Rupees 2.31 crore provided for creating infrastructure and common facilities for group houses constructed in clusters were diverted for construction .

(f) Guidelines envisage that dwelling units should normally be built on individual plots in the main habitation of the village. The houses can also be built in clusters within a habitation, so as to facilitate development of infrastructure. Rupees 2500 per house was provided for creation of infrastructure and common facilities, where houses were constructed in clusters. In 21 sample Panchayat Unions, although 9247 houses were built in clusters, Rs 2.31 crore provided for infrastructure and common facilities were not utilised for the purpose, but were diverted for construction. Block Development Office, Pollachi (South) stated that the infrastructure was provided using funds from other State schemes.

No action was taken to introduce cost-effective technology under IAY.

(g) The guidelines envisage use of local material and cost effective technology. It was noticed that no action was taken in this regard. For supervision, guidance and monitoring of construction, there was no involvement of Non-Governmental Organisations (NGOs).

5.2.4.6 Non-refund of unspent balances by Village Panchayats

Unspent balances of Rs 8.65 lakh in 89 Village Panchayats were not refunded to DRDAs.

Scrutiny of cash books of 89 Village Panchayats showed that there were unspent balances amounting to Rs 8.65 lakh as of March 2002. The unspent amount was not refunded to DRDAs (May 2002).

5.2.5 Physical performance under IAY

Every year, GOI fixes the target for houses to be built in each district, but State Government unilaterally revised the target according to the funds availability.

5.2.5.1 The annual physical target and achievement are as follows:

Year	Opening balance	Target fixed by		Works taken up	Completed	Closing balance
		GOI	GTN[@]			
1997-98	22,228	50,689	71,598	93,826	55,830	37,996
1998-99	37,996	46,258	41,244	79,240	68,207	11,033
1999-2000	8,078*	31,179	32,293	40,371	39,920	451
2000-2001	451	31,179	34,221	34,672	33,944	728
2001-2002	728	31,589	31,893	32,621	28,284	4,337

@ Government of Tamil Nadu.

* Due to cancellation of works taken up at the fag end of the year.

Districtwise details are given in Appendix XXXIV. It is seen that in respect of 3 districts[5] over 10 *per cent* of BPL families were covered, while in 15 districts[6], less than 7 *per cent* of BPL families have been covered.

5.2.5.2 Non-maintenance of Inventory of Houses

Inventory of houses was not maintained.

The implementing agencies were to maintain an inventory of houses constructed, with dates of commencement and completion, name of the village and block, name, address, occupation and the category of beneficiary, etc. No such inventory was maintained in any of the 27 sample Panchayat Unions.

5.2.5.3 Conversion of unserviceable kutcha houses into pucca/semi-pucca houses

From April 1999, GOI instructed that 20 *per cent* of the allocation under IAY be earmarked for conversion of unserviceable kutcha houses into pucca/semi-pucca houses. The amount allocated under this component along with the physical and financial achievement were as follows:

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5 Over 10 *per cent* - 3 Districts (Cuddalore, Kancheepuram and Ramanathapuram).

6 Less than 7 *per cent* - 15 Districts (Coimbatore, Dharmapuri, Dindigul, Kanyakumari, Karur, Nagapattinam, Pudukottai, Sivaganga, Thanjavur, Theni, Tiruchirappalli, Tirunelveli, Tiruvarur, Tuticorin and Virudhunagar).

(Rupees in crore)

Year	Financial							Physical				
	Opening Balance	Funds received		Miscellaneous Receipts*	Total	Expenditure	Closing Balance	Spill over	Target	Taken up	Completed	Spill over
		GOI	State									
1999-2000	nil	11.69	38.19	0.07	49.95	49.57	0.38	nil	15589	15589	15015	574
2000-2001	0.38	11.69	3.96	0.27	16.30	15.81	0.49	574	15595	16169	15970	199
2001-2002	0.49	11.79	3.94	0.16	16.38	16.00	0.38	199	15811	16010	15256	754

* Interest earned on scheme funds and unspent amount refunded by Village Panchayats

While all the funds received from GOI and the State Government were spent on the scheme, there was a shortfall of 754 houses compared to the target of 46,995 in three years.

5.2.6 Pradhan Mantri Gramodaya Yojana (Gramin Awaas) (PMGY)

5.2.6.1 This scheme has been introduced with effect from April 2000 in 13 districts to supplement the efforts made in the sphere of Rural Housing and extended to all districts in 2001-2002. It is generally based on the pattern of IAY. In addition to proposals for houses for the poor, the State Governments could also include provision not exceeding 10 *per cent* of the proposed cost for internal roads, drainage, drinking water, plantation, improvement of habitation and for making houses cyclone and earthquake resistant. The entire cost under the scheme is met from GOI funds. The expenditure on RCC roofing is met from the 25 *per cent* State discretionary share out of GOI grant.

5.2.6.2 Government proposed to build 13,795 houses and carry out 447 infrastructure works at a cost of Rs 46.23 crore during the years 2000-2002 and GOI released Rs 46.31 crore. Only 10,232 houses had been built as of March 2002; and there was a spill over of 3563 houses.

*5.2.7 Credit-*cum*-subsidy Scheme for Rural Housing*

5.2.7.1 The objective of the Scheme is to cover households in rural areas, not covered under IAY, and those who cannot take benefit of fully loan-based schemes due to limited repayment capacity. The subsidy under the scheme is Rs 10,000 per household and the maximum loan amount that can be availed is Rs 40,000. The beneficiary must have a house site over which he has got title, to be eligible for credit subsidy. The funding details are as follows:

(Rupees in lakh)

Year	Opening Balance	Funds released		Miscella-neous Receipt	Total Funds available	Resources utilised	Closing Balance	Loan amount released by Banks
		Central Share	State Share					
1999-2000	..	186.20	62.07	..	248.27	235.16	13.11	331.00
2000-2001	6.93*	561.70	155.17	8.90	732.70	673.18	59.52	525.74
2001-2002	62.46*	268.51	111.47	10.87	453.31	445.29	8.02	1702.14

* Opening Balance revised by DRD based on certified accounts of DRDAs.

5.2.7.2 As against the GOI target of 13,731 houses during the period 1999-2002, only 7790 houses (56.7 *per cent*) had been completed in the State, as the scheme did not take off during 1999-2000 due to want of clear instructions from Reserve Bank of India (RBI). The RBI issued instructions in September 2000 only.

5.2.7.3 DRDAs were to release subsidy at the rate of Rs 10,000 per beneficiary to the banks who were to release the same together with loan component of Rs 40,000. DRDAs in six[7] sample districts released Rs 2.99 crore towards subsidy to 2989 beneficiaries. However, banks released subsidy of Rs 2.43 crore along with loan amount to only 2431 beneficiaries. Rupees 0.56 crore were lying unutilised with the banks as of March 2002. Banks could not release loan/subsidy to other beneficiaries due to reasons such as - beneficiaries without proper title deeds for house sites, pattas issued by Government could not be alienated, charges for registration of mortgage deed were prohibitive.

From the information collected from six districts[7], it was observed that out of 5505 applications received by banks, loans were disbursed to 2431 applicants and 2703 applications were rejected, 154 beneficiaries availed less loan while 358 applicants did not avail the loan at all. Due to reduction in target by DRD, 13 applications were withdrawn from the banks by DRDA, Salem.

5.2.7.4 Non-achievement of target in respect of SCs/STs

Only 36.3 *per cent* of SC/ST beneficiaries availed the scheme during 1999-2002.

The scheme provides that 60 *per cent* of the targeted number of houses should be allotted to SCs/STs. In five sample districts,[8] SC/ST beneficiaries formed only 36.3 *per cent* of the total number of beneficiaries.

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7 Coimbatore, Cuddalore, Nagapattinam, Salem, Theni and Villupuram.
8 Madurai, Nagapattinam, Salem, Theni and Villupuram.

State Government found that SC/ST persons did not opt for this scheme as it involved a loan component, while they were eligible for houses under IAY without any loan. Therefore, State Government requested (August 2000) GOI to reduce the percentage for SCs/STs from 60 *per cent*. However, this was turned down (October 2000) by GOI without assigning any reason.

5.2.8 Innovative Stream for Rural Housing and Habitat Development

5.2.8.1 From 1998-99, a small portion of Rural Housing resources have been kept apart for the implementation of special and innovative projects related to rural housing and habitat development. The maximum cost of a project that could be submitted by NGO/autonomous society was Rs 20 lakh and by eminent educational/ technical/research institutions, Rs 50 lakh.

5.2.8.2 Funds were released by GOI to DRDAs for executing specific projects approved by GOI. Works were being executed by Kattida Maiyams (Building Centres)/Panchayat Unions under the supervision of DRDAs.

Eleven projects submitted by 11 DRDAs were approved by GOI, whose total cost was Rs 7.61 crore against which Rs 4.74 crore was due from GOI. GOI released only Rs 3.88 crore as of March 2002. GOI met only part of the project cost and the rest was met from other scheme funds. The projects were mainly for construction of houses, laying of roads and creation of other community assets. In the 4 sample districts checked by audit, three projects (estimated cost: Rs 1.39 crore) were completed at a cost of Rs 1.27 crore and the one at Cuddalore (expenditure: Rs 0.37 crore out of estimated cost of Rs 0.45 crore) was incomplete as of April 2002.

5.2.8.3 Deviations in implementation of approved project

There was deviation in execution of the approved project in Thanjavur District.

In Thanjavur, GOI approved a project consisting of 16 works at a cost of Rs 1.01 crore and released Rs 49.90 lakh. The works were to be executed in Samathuvapuram village at Cholanmaligai. The works were entrusted to Building Centre, Thanjavur. The following deviations were noticed.

Rupees 3.65 lakh sanctioned for construction of Training-*cum*-Counselling Hall was utilised for the construction of Community Hall (June 2001), which had not been put to use, as utensils had not been procured and rent had not been fixed by Village Panchayat.

Rupees 1.80 lakh sanctioned for fair price shop were utilised for the construction of shopping complex.

Concrete roads were put up instead of approved black top roads at a cost of Rs 10 lakh.

Construction of Village Administrative Office with quarters was not taken up; instead, a Human Resource Development Centre was constructed at Rs 3.60 lakh which had been let out (December 2000) to Patteeswaram Cholanadu Primary Agricultural Co-operative Bank branch.

The Art Gallery constructed at a cost of Rs 1.80 lakh was being used as computer training centre.

These deviations made by DRDA were without specific approval of DRD or GOI, who were merely informed through monthly progress reports.

5.2.9 Evaluation

The Technical Consultancy Services Organisation of Karnataka (TECSOK), evaluated the IAY Scheme in Tamil Nadu (August 2000). The study was based on the responses received from two PUs selected in each district and 50 beneficiaries covered in each PU. It revealed -

(i) As many as 62.6 *per cent* of the beneficiaries expressed their satisfaction on the quality of the constructed houses, whereas 37.4 *per cent* were not satisfied.

(ii) As many as 43.6 *per cent* of the beneficiaries indicated that they had provided only household labour for construction of the houses while 27.2 *per cent* of the beneficiaries indicated their non-involvement. Only 7.4 *per cent* of the beneficiaries had constructed the houses by themselves.

(iii) Houses with plinth area of 20.5 square metre were constructed by 75.6 *per cent* of the beneficiaries. The rest of the houses had a plinth area of less than 20 square metre.

(iv) Rupees 22,500 were sanctioned to 54.3 *per cent* of the beneficiaries. 12.8 *per cent* of the beneficiaries accounted for amounts sanctioned upto Rs 10,000 while an amount between Rs 20,000 and Rs 22,000 was sanctioned to 12.7 *per cent* of the beneficiaries. As many as 10.8 *per cent* of the beneficiaries accounted for sanctions ranging between Rs 10,000 and Rs 15,000, while 9.3 *per cent* accounted for sanctions between Rs 15,000 and Rs 20,000. 26.4 *per cent* of the beneficiaries reported spending more than the sanctioned amount for the construction.

TECSOK forwarded its findings and recommendation (August 2000) to DRD who, in turn, forwarded the same to all DRDAs in June 2001 and instructed them to take remedial action. DRD also requested (August 2001) Government to approach GOI for revising the unit cost from Rs 20,000 to Rs 30,000 as recommended by TECSOK.

5.2.10 Conclusion

Out of 31.46 lakh eligible BPL families estimated in 1991, only 5.75 lakh families (18.3 *per cent*) have been provided with shelter until March 2002. Sixty two *per cent* of houses constructed in six districts were allotted to male member of the family instead of to female member or jointly in the name of husband and wife.

The above points were referred to Government in June 2002; reply had not been received (December 2002).

SECTION – B

AUDIT PARAGRAPHS

5.3 General

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

During 2001-2002, financial assistance of Rs 2976.83 crore was given to various autonomous bodies and other institutions broadly grouped as under:

(Rupees in crore)

Serial Number	Name of Institution	Amount of assistance paid		
		Grant	Loan	Total
1	Universities and Educational Institutions	760.38	0.02	760.40
2	Municipal Corporations and Municipalities	409.96	95.41	505.37
3	Zilla Parishads and Panchayati Raj Institutions	617.02	13.06	630.08
4	Development Agencies	570.68	..	570.68
5	Hospitals and other Charitable Institutions	2.05	..	2.05
6	Other Institutions	254.34	253.91	508.25
	Total	**2614.43**	**362.40**	**2976.83**

Audit of accounts of the bodies mentioned in the Appendix XXXV has been entrusted to the Comptroller and Auditor General of India.

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

Sl.No.	Name of the Institution	Audit conducted by
1.	Panchayat Unions, District Panchayats and Urban Local Bodies	Director of Local Fund Audit
2.	Educational Institutions	
	a) Schools	Internal audit of the Directorate of School Education
	b) Colleges	Internal audit of the Directorate of Collegiate Education

Sl.No.	Name of the Institution	Audit conducted by
	c) Polytechnics	Chief Internal Auditor and Chief Auditor of Statutory Boards
	d) Universities	Director of Local Fund Audit
3.	Cooperative Institutions	Director of Audit of Co-operative Societies
4.	Miscellaneous Institutions	Chartered Accountants

5.4 Delay in furnishing utilisation certificates

Financial rules of Government require that, where grants are given for specific purposes, certificates of utilisation should be obtained by departmental officers from grantees and after verification, these should be forwarded to the Accountant General within one year from the date of sanction, unless specified otherwise.

Of 16,934 utilisation certificates due in respect of grants aggregating Rs 912.05 crore paid during the period from 1981 and earlier years to March 2001, only 1095 utilisation certificates for Rs 240.86 crore had been furnished by 30 September 2002 and 18,797 certificates for an aggregate amount of Rs 989.00 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as given below :

Serial Number	Department	Number of Certificates	Amount (Rupees in lakh)
1.	Adi Dravidar and Tribal Welfare	2104	3773.69
2.	Animal Husbandry and Fisheries	10	9.03
3.	Co-operation, Food and Consumer Protection	2	4.40
4.	Handlooms, Handicrafts, Textiles and Khadi	22	294.15
5.	Health and Family Welfare	6	9.70
6.	Housing and Urban Development	14	119.00
7.	Municipal Administration and Water Supply	1383	12819.12
8.	Revenue	150	3806.13
9.	Rural Development	1700	64499.27
10.	Social Welfare and Nutritious Meal Programme	13406	13565.61
	Total	**18797**	**98900.10**

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

TAMIL NADU HOUSING BOARD

5.5 Premature drawal of loan resulting in avoidable payment of interest

Drawal of loan of Rs 2.70 crore for construction of 48 HIG flats by the Board, even though the land was under encroachment/court stay orders resulted in avoidable payment of interest of Rs 54.80 lakh.

The construction of 48 High Income Group (HIG) flats at survey number 16/3 of Puliyur in Chennai was approved by Tamil Nadu Housing Board (Board) in November 1998 for Rs 3.09 crore. The work was to be executed with loan of Rs 2.70 crore from Life Insurance Corporation Housing Finance Limited. The loan was drawn in two equal instalments of Rs 1.35 crore each in March and December 1999. The work entrusted to a contractor in May 1999 was stopped in November 1999 before its commencement, due to stay order given by the High Court in March 1999. The stay was not vacated as of May 2002.

Scrutiny of the records revealed that the Board, while taking over the land in June 1998, omitted a portion of the land in survey number 16/3 due to encroachment. Further, the land covered by survey numbers from 16/1 to 16/7 of Puliyur was under litigation and High Court ordered on 17 March 1999 to maintain *status quo*. Hence, it was clear that no work could be commenced in survey number 16/3 at the time of drawal of first instalment of loan on 31 March 1999. In spite of this, the Board drew the second instalment of loan also in December 1999. The entire money was kept in nationalised banks which carried interest ranging from 4.5 to 6 *per cent* per annum.

Thus, the action of the Board in drawing the entire loan knowing fully well that the work cannot be commenced due to encroachment/court stay orders resulted in non-utilisation of the loan and avoidable payment of interest of Rs 54.80 lakh upto June 2002 (Appendix XXXVI). Loading this loss on to the price of the flat at a later date would only result in a higher price and affect the saleability of the flats.

The matter was reported to Government in May 2002. Government stated (September 2002) that the loan amount was utilised for providing margin money for other schemes. The reply was not tenable since the Board had sufficient cash balance in various banks to meet the margin money requirement.

5.6 Extra expenditure on provision of carriageways of broader width

Provision of carriageways with excess width in the Sholinganallur Neighbourhood Scheme resulted in extra expenditure of Rs 48.98 lakh.

The design of Carriageway width of a road depends on the traffic measured in terms of Passenger Car Units (PCUs) per hour. As traffic on the new roads to be formed cannot be estimated, the Tamil Nadu Housing Board (Board) laid roads with a maximum carriageway width of 7 metres (m) for the 'Neighbourhood and Sites and Services Schemes'. The Chief Engineer of the Board, however, deviated (December 1995) from this practice while laying roads in the Sholinganallur Neighbourhood Scheme by adopting carriageway width of 7.5m, 10.5m and 15m for road width of 12m, 18m and 24m respectively without any justification. The work was entrusted (April 2000) to a contractor for Rs 2.76 crore and Rs 2.22 crore were spent as of May 2002.

When the broader width of construction was pointed out, the Executive Engineer, Besant Nagar Division (EE) stated (November 2001) that (i) the double lane width was adopted for 12m road based on Highways Manual (ii) three lane width was adopted for 18m road as it serves as link road connecting East Coast Road and Old Mahabalipuram Road which were four lane roads (iii) four lane width was adopted for 24m road as it serves as link road to Old Mahabalipuram Road and Kudumiyandithope Road.

The contention of the EE was not tenable because:

(i) While proposing the thickness for the roads, the EE had observed (July 1999) that the scheme was under development and the traffic would not be high even after 3 to 4 years. This indicated that there was no justification for provision of three/four lane roads.

(ii) Highways Manual prescribes only 7m wide carriageway for two lane roads without kerbs. Hence, adoption of 7.5 m carriageway width was not warranted.

(iii) As the 24m road connects the Old Mahabalipuram Road with another two lane (7 m) road, provision of 15m wide carriageway for the link road lacked justification. As such, provision of 10.5m carriageway width for 18m road was also unnecessary, since it connects only the Old Mahabalipuram Road with 24m road inside the scheme area.

Thus, the Board should have provided carriageways at a uniform width of 7 m for all the roads as adopted in other schemes. Provision of broader carriageways resulted in extra expenditure of Rs 48.98 lakh.

The matter was reported to Government in April 2002. Government stated (July 2002) that only roads abutting 1½ ground and 2 ground plots were provided with 18m and 24m road width respectively and 7m carriageway width would be too small in these roads as the allottees are expected to have own cars and the vehicles would get stuck on rainy days. This contention was not tenable since the appropriate carriageway width was only 7m, which could be widened in future according to the requirement.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

5.7 Loss of revenue due to non-adherence to provisions of the Act

Adoption of lower rate of water charges, without amendment to the by-laws being approved by Government, had resulted in loss of revenue to the tune of Rs 63.21 lakh to Bodinayakanur Municipality.

According to Section 132 A of the Tamil Nadu District Municipalities Act, payment for the water supplied by the Municipality shall be collected as laid down in the by-laws made by the Council. Further, according to Section 310 (1) and (2) of the Act, no by-law or cancellation or alteration of a by-law shall have effect until the same has been approved and published in the District Gazette and shall come into operation three months after publication.

Bodinayakanur Municipal Council passed resolutions in July 1994 and February 1995 fixing the water charges for domestic consumption at Rs 2.50 per 1000 litres subject to a minimum of Rs 20 per month for metered connections. The consumers of unmetered connections were to convert their connections into metered ones within six months from the implementation of the revised rules, failing which Rs 35 per month would be collected from them for single tap connection at a flat rate.

After approval by Director of Municipal Administration (DMA), the amended by-laws were published in the Madurai District Gazette in September 1995 and were to come into effect from January 1996. Accordingly, unmetered connections were to be charged at Rs 35 per month from July 1996 onwards.

Considering the objections received (August 1996) from public, the Council passed (November 1996) another resolution wherein it was decided to collect only Rs 20 per month per water connection as water charges, to collect a deposit of Rs 1000 for old and new connections and to provide meters only to the fresh connections. It was further resolved to collect only Rs 20 per month as water charges till the revised rates indicated in the resolution was approved by the Superintending Engineer, Tamil Nadu Water Supply and Drainage Board, Madurai and the DMA and the State Government confirmed the same. However, approval of the DMA was not received as of July 2002. The water charges were continued to be collected at Rs 20 per month and the deposit of Rs 1000 was collected.

Section 310 (1) of the Act clearly stipulates that no by-law or cancellation or alteration of a by-law shall have effect until the same shall have been approved and confirmed by the State Government. As the collection of Rs 35 per month from July 1996 onwards had already been published in the District gazette, and as the alteration proposed in November 1996 was yet to be approved, water charges should have been collected at Rs 35 per month from July 1996 onwards for unmetered connections.

Thus, collection of Rs 20 instead of Rs 35 per month as water charges in respect of 6107 unmetered connections from July 1996 onwards resulted in a loss of revenue to the Municipality of Rs 63.21 lakh for the period from July 1996 to March 2002.

The matter was referred to Government in May 2002. Government generally accepted the facts in October 2002 and agreed to collect the arrears of water charges due from the consumers.

5.8 Excess release of grants for providing High Mast Lights in Municipalities

Government released excess grant of Rs 51.60 lakh for providing High Mast Lights in Municipalities.

According to Financial Rules, only so much of the grant-in-aid should be paid during any financial year to a grantee institution as is likely to be expended during that year. Further, unless ordered otherwise, every grant made for a specific purpose is subject to the implied condition that any portion of the grant ultimately not required for expenditure on the specified purpose should be duly surrendered to Government.

Based on the proposals (May 1999) of the Commissioner of Municipal Administration (CMA), Government sanctioned Rs 1.43 crore (June 1999) for providing one High Mast Light (HML) in each of 41 selected Municipalities at places where public gather in large numbers. The scheme was implemented as per recommendation of X Finance Commission and expenditure on the scheme was to be shared by Government and the Municipalities equally.

Calculating the expenditure tentatively as Rs 7 lakh per HML unit, Rs 3.50 lakh per Municipality were released by CMA as 50 *per cent* Government grant. The work was to be completed by November 1999.

CMA called for tenders for the designing, fabricating, supplying, installing, testing and commissioning 4 categories of HML (Heights: 16 mts, 20 mts, 25 mts and 30 mts) and awarded contracts between November 1999 and April 2000. Fifty *per cent* of the cost of the HML was less than Rs 3.50 lakh. Therefore, the excess grant released was Rs 55.79 lakh in respect of 41 Municipalities as seen from the table:

Sl. No.	Height of the HML (in metres)	Cost as per the purchase order		Number of Munici-palities	Total cost	Eligible grant from Govern-ment (50 *per cent* of cost)	Grant released at Rs 3.50 lakh per Munici-palitiy	Excess release of grant
		Actual	AMC					
		Rs	Rs		Rs	Rs	Rs	Rs
1.	16	2,76,438	8,557	8	22,79,960	11,39,980	28,00,000	16,60,020
2.	20	4,03,998	4,986	15	61,34,760	30,67,380	52,50,000	21,82,620
3.	25	4,06,833	10,321	7	29,20,078	14,60,039	24,50,000	9,89,961
4.	30	5,59,250	4,986	11	62,06,596	31,03,298	38,50,000	7,46,702
				Total	**1,75,41,394**	**87,70,697**	**1,43,50,000**	**55,79,303**

In June 2000, Government issued orders for diverting Rs 5.20 lakh, out of the unutilised amounts available with 8 Municipalities for providing HMLs to four other Municipalities. This included cost of HML plus Annual Maintenance Contract (AMC) charges for one year. However, scrutiny of records revealed that the terms of contract for the works, which had already been completed, stipulated that the contractor would maintain the HML during the guarantee period (12 months from the date of handing over of the installation) free of cost and for a minimum period of 5 years thereafter with the AMC charges payable at the beginning of every maintenance year. As the works were completed between August 2000 and August 2001, the payment of AMC arises only from August 2001. Hence, release of grant (July 1999) of Rs 1.01 lakh to Municipalities, towards the AMC for the HMLs was far in advance of requirement and thus irregular.

As of May 2002, the Municipalities had not refunded the excess grant of Rs 51.60 lakh to Government.

The matter was referred to Government in March 2002; reply had not been received (December 2002).

CORPORATION OF CHENNAI

5.9 Construction of Bridges/subways

The Corporation of Chennai (CC) constructed 21 new bridges, widened 6 existing bridges and 2 subways with a view to ease traffic congestion, during 1996-2001. A review of records relating to 6 bridges* and two subways revealed the following:

5.9.1 Improper planning to construct wider carriageways

3 bridges with wider carriageway than required were constructed resulting in extra expenditure of Rs 3.34 crore.

(a) A bridge with a clear carriageway width of 16.2 metres (m) to accommodate four lane traffic was constructed (cost: Rs 3.38 crore) during April 1999 to February 2001 across Cooum river at Choolaimedu.

The estimate contemplated carriageway width of 16.2 m to handle traffic of 780 Passenger Car Units (PCU) in peak hour especially to the North of the bridge as indicated in the project report. No justification was given in the project report for adopting the carriageway width of 16.2 m. As per Indian Roads Congress (IRC) specification, a carriageway width of 7.5 m could handle traffic upto 1200 PCU. In the instant case just after 100 m towards North, the roadway branched out to four narrow roads of widths ranging between 4.5m to 7.3m. Thus, the extra width adopted would not help in easing congestion even if traffic intensity increased in future. Hence, the bridge could have been constructed with 7.5 m carriageway. The unjustified adoption of four lanes resulted in extra expenditure of Rs 1.82 crore on proportionate basis.

(b) A carriageway of 14.5 m was designed for a four lane bridge at Mahakavi Bharathiyar (MKB) Nagar. The bridge was constructed between April 1999 and September 2000 at a cost of Rs 2.23 crore. The project report clearly indicated that the PCU was only 551, while the minimum traffic for four lane carriageway according to IRC specifications was 2000 PCU. The road was used predominantly by two wheelers and cyclists. No justification was given in the project report for adopting the width of 14.5 m. This resulted in extra expenditure of Rs 1.08 crore.

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* (i) Construction of high level bridge at Choolaimedu : Rs 3.88 crore; (ii) Construction of high level bridge at Naduvankarai : Rs 3.31 crore; (iii) Construction of limited-use vehicular subway at Saidapet Bazaar Road: Rs 3.05 crore; (iv) Construction of high level bridge at MKB Nagar : Rs 2.23 crore; (v) Widening of Lattice Bridge across Buckingham Canal at Thiruvanmiyur : Rs 2.21 crore; (vi) Demolition and reconstruction of Manali Road Bridge : Rs 1.45 crore; (vii) Construction of Pedestrian Subway at Kamarajar Salai near Ezhilagam : Rs 83.63 lakh and (viii) Widening of Stephenson Road Bridge across Otteri Nullah : Rs 0.50 crore.

(c) The existing Lattice Bridge across Buckingham Canal at Thiruvanmiyur, a non-standard vehicular bridge, had an effective carriageway of 6.55 m. It was widened on either side by 7.625 m to convert the carriageway into a four lane bridge, by incurring expenditure of Rs 2.21 crore. As per IRC provisions, it would have been sufficient to increase the width by 3.5 m on each side instead of by 7.625 m. The total width of the carriageway should have been restricted to 13.55 m as against 16.95 m now constructed. Adoption of excess width without following IRC specifications resulted in an extra expenditure of Rs 44.24 lakh on proportionate basis.

5.9.2 Delay in getting administrative sanction resulted in escalation in cost

Delay in administrative sanction by Government resulted in additional expenditure of Rs 52.84 lakh.

(1) The CC sanctioned (December 1992) demolition of existing bridge and construction of a new Manali Road Bridge (two lane bridge) at an estimated cost of Rs 50 lakh at 1992-93 schedule of rates. The bridge was to have a clear carriageway of 7.5 m with two lanes. The estimate was revised to Rs 1.195 crore for a four lane bridge with 14.05 m carriageway at the instance of the Chennai Metropolitan Development Authority and Government's approval was sought in February 1994.

Pending administrative approval, tenders were called for in May 1994. The lowest offer for Rs 87.21 lakh was subsequently cancelled in July 1994 for want of Government approval, which was accorded only in March 1996 (for Rs 1.195 crore). Tenders were again called for in June 1996. The lowest tender for Rs 1.12 crore was rejected as a pre-qualification bid was not conducted as required. The estimate was revised to Rs 1.60 crore adopting 1996-97 schedule of rates, and after fresh administrative approval by Government in December 1997, fresh tenders were called for in April 1998. The lowest tender for Rs 1.29 crore was accepted. Due to delay in administrative approval by Government, the cost of the work increased, resulting in additional expenditure of Rs 33.93 lakh (difference between the lowest tender of first call and the actual cost of work).

(2) A proposal for construction of a pedestrian subway across Kamarajar Salai near Ezhilagam at an estimated cost of Rs 81.50 lakh (work value : Rs 48.16 lakh) was sent to Government in July 1994. The proposal was returned by Government in May 1996 without assigning any reason with direction to prepare a revised estimate.

Administrative sanction for the revised estimate of Rs 105.50 lakh was accorded in December 1996. The work was completed (February 2000) at a cost of Rs 83.63 lakh, of which, the value of civil works component was only Rs 67.07 lakh, since the quantity of work executed was less than that estimated on many items of work as per the completion report.

The delay in administrative sanction by Government resulted in additional expenditure of Rs 18.91 lakh in work component alone (Rs 67.07 – Rs 48.16 lakh).

5.9.3 Injudicious rejection of lowest tender

Injudicious rejection of lowest tender on 2 occasions resulted in additional expenditure of Rs 15.52 lakh and escalation in cost of estimates by Rs 30.50 lakh.

(i) For the work 'Construction of High level Bridge across Cooum river at Choolaimedu', six contractors submitted their bids (December 1998). The bid of M/s Consolidated Construction Corporation Limited (Rs 276.86 lakh) was the lowest. But, the lowest bid was rejected (December 1998) solely on the ground that the bank guarantee furnished was not in the prescribed format. The lowest tenderer otherwise satisfied all other criteria like minimum annual financial turnover; satisfactory completion of one similar construction work of stipulated value; demonstrated availability of equipment; project manager with 5 years experience; and liquid assets and/or credit facility, etc. Thus, rejecting the lowest tender only on flimsy ground resulted in additional expenditure of Rs 15.52 lakh, due to award of the contract at Rs 292.38 lakh to the second lowest bidder.

(ii) Government approved, in May 1997, construction of a subway at Saidapet Bazaar Road at an estimated cost of Rs 350 lakh. Bids were received in December 1997. CC decided (February 1998) to reject the lowest bid of Tamil Nadu State Construction Corporation (TNSCC) for Rs 225.42 lakh (work component) citing the reason that the bidder had abandoned works earlier or not completed the works properly or inordinately delayed completion of works. Fresh bids were invited by CC in February 1998. When the bids were evaluated, TNSCC was again the lowest bidder and their bid for Rs 255.92 lakh was accepted. The work was commenced in June 1998 and completed in January 2001.

Scrutiny revealed that the reason cited for rejection of lowest bid of TNSCC was not tenable as it had successfully completed 8 works awarded by CC previously. The rejection of the lowest bid in February 1998 on non-tenable grounds resulted in escalation of Rs 30.50 lakh in estimated cost of work (comparing the bid values).

5.9.4 Extra expenditure on pile foundation for 3 bridges

Four bridge works were taken up by CC and completed as detailed below:

Extra expenditure of Rs 1.18 crore on pile foundation for 3 bridges without justification.

Sl. No.	Name of bridge	Date of Soil Inves-tigation by consultant	Recom-mended depth of pile	Date of entrust-ment of the work	Date of execution of work	Depth upto which pile foundation was executed	Extra depth	Expen-diture incurred for additional depth of pile (Rupees in lakh)
1.	Widening Stephenson Road Bridge	September 1993 (Consultant: IIT)	15m/ 16m	October 1995	October 1995 to March 1998	26 m	10 m	7.07
2.	High level Bridge at Choolaimedu	June 1997 (Consultant: IIT)	15 m	March 1999	April 1999 to February 2001	22m	7 m	23.11
3.	High level Bridge at MKB Nagar	Apri1/July 1997 (Consultant: IIT)	14.5m to 15.5m	April 1999	April 1999 to September 2000	21.5m	6 m	24.04
4.	High level Bridge at Naduvankarai	Not Available (Consultant: Anna University)	18m	August 1999	August 1999 to April 2001	24m to 26m	6 m	70.89
	Total							**118.04**

For all the works, the estimates were prepared adopting depth of piles as recommended by the Consultants after geo-technical tests. However, during execution of these works, it was decided by CC to deepen the piles upto the level of striking 'hard rock strata', though not contemplated in the original estimates. Thus, despite wide deviation of 10 m per pile between original estimate and actual execution in the first work, CC decided to increase the depth of piles in other works also after the award of contracts, disregarding previous experience. There was no recorded justification for the additional depth and for not adhering to the Consultants' advice on depth of piles. The extra expenditure on the 3 works (High level bridges at Choolaimedu, MKB Nagar and Naduvankarai) due to additional depth was Rs 1.18 crore.

5.9.5 Avoidable payment of interest

Avoidable payment of interest of Rs 12.44 lakh on construction of 3 bridges.

The funding pattern for execution of High level Bridges under the Megacity programme was Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) loan: 40 *per cent*; TUFIDCO grant: 10 *per cent* ; Tamil Nadu Urban Development Fund (TNUDF) loan: 40 *per cent* and Corporation share: 10 *per cent*. The rate of interest for TUFIDCO loan was 5 *per cent* and that for TNUDF loan was 16.5 *per cent.*

(i) For the work of construction of High level Vehicular Bridge at MKB Nagar, the sanctioned estimate was for Rs 333 lakh but as per the final completion report (April 2002), the actual expenditure on the work was Rs 223.07 lakh. According to the approved financial pattern, CC should have availed a loan of Rs 89.22 lakh each from TUFIDCO and TNUDF and obtained a grant of Rs 22.07 lakh from TUFIDCO. However, the loan availed from TUFIDCO was Rs 64 lakh and grant was Rs 16 lakh. On the other hand, loan availed from TNUDF was Rs 120 lakh, which carried interest at 16.5 *per cent*. By not availing the entire eligible loan from TUFIDCO at 5 *per cent* rate of interest, the additional interest burden for the period* October 1999 to March 2002 was Rs 8.85 lakh.

(ii) Similarly, in the work of widening of Lattice Bridge across Buckingham Canal, against the sanctioned estimate of Rs 160 lakh, the work was completed (November 2001) at a cost of Rs 220.55 lakh. Against the eligible loan of Rs 88.22 lakh, CC obtained loan of Rs 64 lakh from TUFIDCO and Rs 108 lakh from TNUDF. The excess drawal of Rs 19.78 lakh loan from TNUDF resulted in additional interest burden of Rs 2.08 lakh for the period* May 2001 to March 2002.

(iii) In the execution of the following works, even after completion of the work, the unutilised loans were not refunded to the funding agencies, leading to avoidable interest payment:

(Rupees in lakh)

	Name of work	**Date of completion**	**Loan received from**		**Loan utilised**		**Unspent loan as on 31 March 2002**	**Avoidable interest upto March 2002**
			TUFIDCO	**TNUDF**	**TUFIDCO**	**TNUDF**		
1)	Demolition and reconstruction of Manali Road Bridge	March 2000	64	64	58.16	58.16	11.68 (December** 2001 to March 2002)	0.42
2)	Widening of Lattice Bridge across Buckingham Canal at Tiruvanmiyur	June 2001	64	108	full	88.22	19.78 (December** 2001 to March 2002)	1.09

** **From the month following the date of recording of Completion Report.**

5.9.6 Non-availing of eligible grant

Corporation of Chennai failed to avail eligible grant of Rs 75.48 lakh from TUFIDCO.

Under the Megacity programme, CC was eligible to get 10 *per cent* of the expenditure as grant from TUFIDCO. But, in the following works, CC had not availed the eligible grant to the extent of Rs 75.48 lakh. Although CC proposed to take up the matter with TUFIDCO in November 2001, payment was not received as of June 2002.

* Month following the drawal of last instalment of loan to March 2002 at difference in rate of interest i.e 11.5 *per cent.*

(Rupees in lakh)

	Name of work	Period of execution	Expenditure as per tentative Completion Report	Eligible grant	Grant availed	Short availed
1)	Construction of limited use vehicular subway in Bazaar Road, Saidapet	June 1998 to January 2001	305.12	30.51	28.20	2.31
2)	Construction of High level vehicular Bridge at MKB Nagar	April 1999 to September 2000	222.81	22.28	16.00	6.28
3)	Construction of High level Bridge at Choolaimedu	April 1999 to February 2001	337.98	33.80	Nil	33.80
4)	High level Bridge at Naduvankarai	August 1999 to April 2001	330.90	33.09	Nil	33.09
				Total		**75.48**

5.9.7 Non-recovery of Income Tax of Rs 87.87 lakh on interest payments

Corporation failed to deduct income tax of Rs 87.87 lakh on interest payment.

As per the provisions of Section 194 A (1) of the Income Tax Act, 1961, income tax on interest is recoverable at source from companies at 20 *per cent* with 2 *per cent* surcharge.

Scrutiny of records revealed that CC had not recovered and remitted income tax with surcharge amounting to Rs 87.87 lakh on interest payments of Rs 430.77 lakh made upto 31 March 2002 to TUFIDCO and TNUDF.

5.9.8 Conclusion

Thus, on construction of six bridges and two subways, CC incurred extra expenditure of Rs 3.34 crore due to provision of excess width of carriage way; avoidable escalation of Rs 52.84 lakh due to delay in administrative approval by Government; Rs 1.18 crore due to increase in depth of piles after award of contract. Grant admissible from TUFIDCO was not claimed to the extent of Rs 75.48 lakh besides avoidable payment of Rs 12.44 lakh towards interest.

The matter was referred to Government in July 2002; reply had not been received (December 2002).

5.10 Short collection of Entertainment tax

Non-identification of number of Cable television connections in Chennai city resulted in short collection of Cable television Entertainment tax of Rs 51.84 crore.

As per the Government order issued in June 2000, Chennai Corporation has to assess the number of Cable TV operators and collect cable TV Entertainment tax with effect from July 2000 onwards. Hitherto, this revenue was collected by the Commercial Taxes Department of the Government. The Tamil Nadu Municipalities (Levy and collection of tax for connection of Television Exhibition) Rules, 2000 were notified on 8th December 2000. According to Rule 4, every proprietor shall, within 30 days from commencement of such exhibition or from 15 December 2000 whichever is earlier, submit an application for registration to the Commissioner of the local body. Failure to do so attracts the provisions under Section 7B of the Tamil Nadu Entertainment Tax Act, 1939.

Chennai Corporation addressed (September/October 2000) the Commercial Taxes Department and Postal Department (with whom also some of the operators had registered previously) to obtain the list of cable operators in Chennai city. As per the list obtained from these two departments, there were 360 operators in the city. Chennai Corporation addressed the cable operators and asked them to enrol themselves and pay tax. In response, 85 operators registered with the Corporation. The Revenue Officer of the Corporation stated (April 2002) that even the 360 operators identified did not cover all the Zones and the licence Inspectors of the Corporation were in the process of enrolling new operators. The Corporation has not verified the number of connections and the accounts of these 85 registered operators under the Rules.

According to the particulars furnished by Doordarshan Kendra, Chennai in June 2002, 10.49 lakh TV sets in Chennai city access cable connection as per the National Readership Survey Report – 2001. Taking this as the basis, the tax to be levied and collected for 10. 49 lakh connections in the city per month worked out to Rs 2.10 crore at Rs 20 per month per cable connection. For the period from July 2000 to July 2002, the tax to be collected worked out to Rs 52.50 crore, while the actual collection was only Rs 0.66 crore, the short collection being Rs 51.84 crore.

It was also noticed that out of 85 operators registered, only 77 operators had paid the deposit of Rs 10,000 each. No action was taken to collect the deposit from the remaining operators. No action was also taken against those who failed to register with the Corporation.

The Commissioner, Chennai Corporation in reply to Audit generally accepted the facts (June 2002). He stated that tender was being called for from private agencies to collect and furnish the details of name/firm of cable TV operators, addresses and number of connections given by each.

The matter was referred to Government in June 2002. Government merely endorsed the reply furnished by the Corporation and generally accepted the facts in October 2002.

5.11 Non-adjustment of advances

Advances to suppliers/contractors released by Corporation of Chennai were not adjusted to the extent of Rs 44.88 crore.

Corporation of Chennai releases advances under four heads* of account to contractors, suppliers and also to its officials. The Unit Account Cell in each department maintains a ledger of advances to watch recovery.

The outstanding advances, as intimated by the Unit Account Cell in respect of 14 departments of the Corporation, were Rs 44.88 crore as of 31 March 2002. Out of this, Rs 23.34 crore related to advances given to suppliers, Rs 17.01 crore to contractors and Rs 4.53 crore to staff/officers.

Further scrutiny revealed that details such as persons/agency to whom the advances were paid, voucher number and date on which the advance was paid, etc., were not available in respect of Rs 14.89 crore paid by 10 departments prior to 1995-96.

As per the Accounting Manual of the Corporation, all advances given to suppliers/contractors were to be adjusted as and when bills are received. Advances pending for over one month had to be listed and follow-up action taken. But the above procedure was not followed and recovery of advances from the bills of suppliers/contractors was not ensured.

To an audit query asking for the specific reasons for non-adjustment of such long pending advances, the Financial Adviser of the Corporation replied (February 2002) that details of advances given prior to 1995-96 were not

* No. 494 and 800 - Advances to suppliers 496 - Advances to contractors and 803 - Advances recoverable – Expenses ('494' and '496' are advances for incurring expenditure of capital nature. '800' and '803' are advances for incurring expenditure of revenue nature).

readily available and action had been initiated to retrace them. Thus, the Corporation had been negligent, which resulted in non-recovery of Rs 44.88 crore for periods ranging from one to 20 years.

The Commissioner, Corporation of Chennai in reply to Audit generally accepted the facts in July 2002 and stated that the transactions for the period prior to 1995-96 could not be retrieved from the magnetic tape and therefore the sub-ledgers containing all the details could not be exhibited. The fact remains that recoveries were pending for upto 20 years, and the Commissioner should have made all out efforts to recover dues especially when Chennai Corporation was strapped for cash.

The matter was referred to Government in May 2002. Government merely endorsed the reply furnished by the Commissioner in October 2002.

5.12 Avoidable loss of Revenue

Failure of the Commissioner of Chennai Corporation to initiate tendering process in time for award of contracts for display of advertisement boards on lamp posts resulted in postponement of commencement of contract and avoidable loss of revenue amounting to Rs 44.10 lakh.

The contract for the right to display advertisement boards on lamp posts awarded (October 1996) to two advertising agencies by Chennai Corporation (CC) expired on 27 October 1999 (for 7 streets) and 12 November 1999 (for 2 streets). Annual Licence fee and advertisement tax were payable by the contractors to the CC. Tender notice was published in newspapers (18 October 1999) with last date of response as 4 November 1999. The Council of the CC approved in December 1999 the award of contracts to 3[*] advertising agencies who quoted the highest rates for nine streets. It also decided to collect the licence fee for one year in advance, within 7 days from the date of award of contracts. In case of non-payment of the licence fee within 7 days by the contractor, the CC had the option to call for fresh tenders and collect the loss (difference in amount offered) from the defaulter. Accordingly, allotment orders were issued to three advertising agencies on 30 December 1999 for displaying advertisements.

The contract begins only from the date of payment of licence fee for the first year and no revenue accrues to CC from the date of issue of allotment letter to the date of commencement of contract. Scrutiny of records in the Corporation

[*] 1. Images; 2. Apoorva Enterprises and 3. Mantralaya Mahan.

revealed that there were delays ranging from 54 days to 210 days between the date of expiry of the previous contract and date of commencement of the new contract, during which period no advertisement tax was collected; proportionate licence fee of Rs 41.72 lakh was also lost as detailed below.

Sl. No.	Name of the Street and Number of lamp posts allotted		Date of expiry of previous contract 1996-99	Total Annual Licence fee amount (Rs in lakh)	Date of payment of licence fee (Date of commencement)	Delay in finalisation of contract	Revenue loss on Licence fees (Rs in lakh)
1.	Kamarajar Salai	331	27.10.1999	21.73	18.1.2000	82 days	4.88
2.	Anna Salai	640	27.10.1999	54.80	25.5.2000	210 days	31.53
3.	Cathedral Road	55	27.10.1999	3.26	18.1.2000	82 days	0.73
4.	Anna Nagar II Avenue	33	27.10.1999	2.04	18.1.2000	82 days	0.46
5.	Anna Nagar III Avenue	72	27.10.1999	3.73	18.1.2000	82 days	0.84
6.	E.V.R Salai	201	27.10.1999	7.05	18.1.2000	82 days	1.58
7.	Dr. Radhakrishnan Salai	107	27.10.1999	6.33	18.1.2000	82 days	1.42
8.	Syndenhams Road	38	12.11.1999	0.25	6.1.2000	54 days	0.04
9.	Kodambakkam Bridge	46	12.11.1999	1.18	25.1.2000	73 days	0.24
	Total			**100.37**			**41.72**

Loss of advertisement tax was Rs 2.38 lakh. The Commissioner did not initiate the tendering process sufficiently in advance before the expiry of the 1996-99 contract. The Commissioner did not also call for fresh tenders, when the licence fee was not paid within 7 days from the date of award of the contract. Instead, he waited till they paid the licence fee and the date of commencement of the new contract was thereby postponed.

Delay in commencement of the contract for 1999-2002 resulted in avoidable loss of revenue amounting to Rs 44.10 lakh during the period of delay.

The matter was referred to Government in June 2002 ; reply had not been received (December 2002).

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

5.13 Extra expenditure due to defective design of Elevated Service Reservoir

Failure of the Board to adopt the correct design for a service reservoir for Erode Water Supply Scheme resulted in extra expenditure of Rs 52.65 lakh besides wasteful expenditure of Rs 23.41 lakh due to litigation.

The Erode Water Supply Scheme implemented by the Tamil Nadu Water Supply and Drainage Board (Board) to augument the existing water supply included, among other things, construction of one 45 lakh litres capacity Elevated Service Reservoir at the Taluk Office compound to supply 131.01 lakh litres of water per day to District II of Zone I. The work was technically sanctioned (April 1982) by the Chief Engineer (CE) and entrusted (January 1983) to a contractor for Rs 33.07 lakh.

When the contractor pointed out defects in the design, the CE conducted the load test and revised (February 1984) the design of the reservoir, but failed to work out the revised estimate, so as to fix the rates for additional items of work. Consequently, the contractor demanded higher rates for all items of work (February to May 1986) and obtained stay order (April 1987) from High Court against the termination of the contract, without arbitration for payment of compensation for the loss sustained by him due to delay. The Arbitrator, appointed by the High Court, awarded (July 1995) compensation of Rs 9.41 lakh with interest from April 1987. On appeal (June 1996), the High Court allowed (June 1997) payment of interest only from April 1989. As the appeal filed in Supreme Court (July 1997) was dismissed (January 1999), the Board finally paid compensation of Rs 22.20 lakh to the contractor (March 1999), inclusive of interest of Rs 12.95 lakh, in addition to Rs 1.52 lakh for the work executed by him. The Board also spent Rs 1.21 lakh towards cost of litigation.

In the meantime, the Board terminated the contract in June 1989 and reduced the capacity of the reservoir to 30 lakh litres (October 1992) which could supply 131.01 lakh litres of water according to the mass diagram given in the Indian Water Supply Manual. The Board entrusted the work to another contractor (June 1993) for Rs 79.36 lakh. The reservoir was completed (October 1995) at a cost of Rs 80.91 lakh.

Thus, the Board failed to correctly assess the required capacity of the reservoir and also adopted wrong design, resulting in unnecessary litigation and cost escalation. Had the CE correctly designed the reservoir with a capacity of 30 lakh litres instead of 45 lakh litres, the work could have been completed at a cost of Rs 28.26 lakh (estimated cost of 30 lakh litres reservoir at 1981-82 schedule of rates minus the tender discount quoted by the first contractor). This failure resulted in the extra expenditure of Rs 52.65 lakh (Rs 80.91 lakh – Rs 28.26 lakh) in addition to wasteful expenditure of Rs 23.41 lakh due to litigation.

The matter was referred to Government in April 2002; reply had not been received (December 2002).

5.14 Avoidable expenditure due to non-enforcement of contractual conditions

In the work of installation of a desalination plant at Narippaiyur, the Board failed to enforce the contractual conditions regarding potability of water resulting in avoidable expenditure of Rs 58.40 lakh on corrective measures.

To mitigate the drinking water problem of the residents of Ramanathapuram District, the Tamil Nadu Water Supply and Drainage Board (Board) entrusted the installation of one desalination plant at Narippaiyur at a cost of Rs 33.58 crore to convert 3.8 million litres sea water per day into potable water, to Bharat Heavy Electricals Limited (BHEL) on turnkey basis. The Memorandum of Understanding (MOU) with BHEL (June 1994) stipulated that the Total Dissolved Solids (TDS) value of water was not to exceed 500 ppm. Further, the agreement with BHEL (December 1995) stipulated that the quality of water should conform to the specifications for potable water and the plant shall have post-treatment unit for pH correction to meet the Central Public Health and Environmental Engineering Organisation and World Health Organisation standards. However, the Board failed to specify the pH value of water to be supplied in the MOU and agreement.

BHEL installed the desalination plant in June 1999. In the meantime, the Board laid distribution lines with Mild Steel (MS) pipes to 173 habitations under Phase I and took up laying MS pipes for 123 habitations under Phase II. When the water was let into MS pipes laid for distribution in Phase I, the water came out with abnormally different colours at various points. The Board engaged (September 1999) Central Electro Chemical Research Institute, Karaikudi (CECRI) as consultant at a cost of Rs 17 lakh to study the causes for colouration and suggest remedial measures. In April 2000, CECRI reported that the water from the plant had low pH value (6 to 6.5) and hence was not potable. They suggested addition of some chemicals and installation of recarbonation / remineralisation plant for maintaining pH value at the desired level and use of Poly Vinyl Chloride (PVC) pipelines for transportation of water to prevent corrosion. As an interim measure, the Board added chemicals and supplied water to the habitations in Phase I and incurred Rs 9.06 lakh per annum. Owing to colouration problem in Phase I, the Board stopped the work of laying MS pipes in Phase II (September 1999) after having laid 15.47 kilometres pipes at a cost of Rs 41.40 lakh (excluding material cost) and replaced the MS pipes with PVC pipes.

As the work was entrusted to BHEL on turnkey basis, the Board, in November 1999, ordered that all post-commissioning problems should be the liability of the firm and hence no expenditure should be incurred if the failure was due to faulty processing. However, BHEL contended (February 2000) that the water conformed to TDS standards of 500 ppm mentioned in the MOU and that solving the colouration problem in the distribution system was not their obligation as per contractual terms. The Managing Director of the Board did not pursue the matter although the water from the desalination plant was corrosive, with pH value lower than the standard and was not potable.

Thus, the failure of the Board in not specifying the pH value of water to be supplied in the MOU and agreement resulted in an avoidable expenditure of Rs 58.40 lakh on consultancy charges and cost of laying MS pipes in Phase II. Besides, the Board had to incur Rs 9.06 lakh per annum to treat the water with chemicals as a temporary measure from April 2000 and had a liability of Rs 81 lakh for installation of remineralisation tower.

The matter was referred to Government in May 2002. Government stated (November 2002) that a sum of Rs 17.58 lakh has been recovered from BHEL and recovery of the balance amount would be intimated in due course.