

CHAPTER III
COMPLIANCE AUDIT
(PANCHAYAT RAJ
INSTITUTIONS)

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COMPLIANCE AUDIT

Compliance Audit on implementation of Thane Housing Scheme in Cuddalore and Villupuram Districts and in nine Village Panchayats in Kancheepuram and Tiruvallur districts under the administrative control of Rural Development and Panchayat Raj Department brought out the following instances of lapses in management of resources and failure in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

3.1 Thane Housing Scheme

3.1.1 Introduction

Cuddalore and Villupuram Districts in Tamil Nadu witnessed (December 2011) a very severe cyclonic storm called 'Thane', which had damaged lakhs of houses and left lakhs of families without livelihood. Government of Tamil Nadu (GoTN) announced (January 2012) a fully State funded scheme *viz.* 'Thane Housing Scheme' (THS) for the benefit of the victims in rural areas. GoTN sanctioned (August 2012) ₹ 1,000 crore (₹ 1 lakh per house for 1,00,000 houses) for construction of 90,000 and 10,000 concrete houses in rural areas of Cuddalore and Villupuram districts respectively.

The financial assistance of ₹ 1,00,000 to each beneficiary was given by way of reimbursement in four instalments *viz.* ₹ 18,606 on completion of basement, ₹ 22,499 at lintel level, ₹ 24,557 at roof level and ₹ 34,338 on completion. As per the scheme guidelines, the department had to procure and arrange for smooth supply of materials such as cement and steel to the beneficiaries and adjust the procurement cost towards THS account maintained at District level. As of March 2015, work orders were issued for construction of 90,000 houses (Cuddalore: 80,000 and Villupuram: 10,000) and the expenditure incurred was ₹ 785.80 crore (Cuddalore: ₹ 685.61 crore and Villupuram: ₹ 100.19 crore).

The Principal Secretary, Rural Development and Panchayat Raj (RDPR) Department is the overall head at the Government level. Commissioner of Rural Development and Panchayat Raj (CRDPR), as the head of the department, draws and releases funds to Village Panchayats (VPs) through District Rural Development Agencies (DRDAs).

To assess whether the Department identified eligible beneficiaries and facilitated them by procurement and supply of materials at subsidised rates for construction of houses, Audit was conducted between February and June 2015 covering the period from 2012-13 to 2014-15. Records were test checked in RDPR Department, Commissionerate of Rural Development and Panchayat Raj, two DRDAs (Cuddalore and Villupuram), 3¹ out of 13 Block Panchayats (BPs) in Cuddalore District and 2² out of 22 BPs in Villupuram District selected on the basis of maximum number of houses undertaken for construction under THS in both the districts. Records were also test checked in 31* out of 144 VPs in three test checked BPs in Cuddalore district and 18* out of 81 VPs in two test checked BPs in Villupuram District, besides joint inspection of houses constructed under the scheme with the department staff. Audit findings are discussed in the succeeding paragraphs.

Audit findings

3.1.2 Financial and physical performance

3.1.2.1 Financial performance

GoTN had sanctioned (August 2012) ₹ 1,000 crore for implementation of the scheme in 2012-13. CRDPR had drawn the entire amount of ₹ 1,000 crore from Government account between September 2012 and February 2015 and released ₹ 800 crore to DRDA, Cuddalore (September 2012 – February 2015) and ₹ 100 crore to DRDA, Villupuram (September 2012 and June 2013) and kept the balance of ₹ 100 crore in CRDPR's bank account.

As of March 2015, DRDA, Cuddalore had released ₹ 685.61 crore for implementation of the scheme; diverted (January 2014) on its own ₹ 5 crore for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and had an unspent balance of ₹ 117.51 crore (including interest of ₹ 8.12 crore). On this being pointed out in Audit, the amount diverted to MGNREGS was received back in July 2015.

Similarly, as of March 2015, DRDA, Villupuram had released ₹ 100.19 crore instead of ₹ 100 crore for the scheme. The excess release of funds was due to release of interest earned in THS bank account to VPs. However, DRDA, Villupuram received back (July 2015) the excess amount of ₹ 0.19 crore from the VPs concerned at the instance of Audit.

¹ Cuddalore, Kurinchipadi and Panruti

² Kandamangalam and Koliyanur

* Maximum affected VPs in the test checked BPs selected on the basis of maximum number of houses allotted under THS

3.1.2.2 Physical performance

As per the guidelines of THS, houses were to be constructed during the financial year 2012-13. Position of construction of houses in the five test checked BPs as of March 2015 is given in **Table 3.1**.

Table 3.1: Physical performance of construction of houses

Name of the BP	No. of houses initially sanctioned	No. of houses for which work order issued during				No. of houses fully completed during				No. of houses shown as completed (as per the monthly reports furnished by Project Director, DRDA)	Actual Percentage of completion (col.10/col.6)
		2012-13	2013-14	2014-15	Total	2012-13	2013-14	2014-15	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Cuddalore District											
Cuddalore	10,108	5,055	2,528	843	8,426	Nil	596	1,962	2,558	2,915	30
Kurinchipadi	14,171	10,122	1,412	235	11,769	7	338	2,355	2,700	4,820	23
Panruti	12,450	6,638	3,203	-	9,841	4	1,098	2,467	3,569	3,997	36
					30,036				8,827	11,732	29
Villupuram District											
Koliyanur	1,850	1,348	-	-	1,348	120	480	265	865	1,348	64
Kanda-mangalam	1,850	1,636	-	-	1,636	Nil	380	854	1,234	1,636	75
					2,984				2,099	2,984	70

Source: Details furnished by respective BPs.

The number of houses completed was 8,827 in three test checked BPs in Cuddalore District and 2,099 in two test checked BPs in Villupuram District as on 31 March 2015. But the DRDAs of both districts reported completion of 11,732 and 2,984 houses respectively in the monthly progress reports for the month of March 2015 furnished to CRDPR.

GoTN replied (October 2015) that nearly 40 per cent of the houses in the three test checked BPs in Cuddalore District had now been completed and the remaining houses would be completed within seven months. As regards Villupuram District, GoTN replied that all pending houses had been completed and final payments made to all houses.

3.1.3 Drawal of ₹ 100 crore without requirement and avoidable payment of interest

Out of the allotment of 90,000 houses to be constructed in rural areas of Cuddalore district, District Collector, Cuddalore requested (August 2012) CRDPR to transfer 9,993 houses to the urban areas, stating that Thane cyclone not only damaged houses in rural areas but also those in urban areas in the district. CRDPR recommended (October 2013) the same to GoTN for transferring 10,000 houses to urban areas within that District. The same was

pending with Government (May 2015). However, CRDPR had drawn ₹ 100 crore (₹ 50 crore each in March 2014 and February 2015) being the THS grant pertaining to these 10,000 houses and deposited the amount in its savings bank account.

Subsequently, CRDPR sent (August 2013) a proposal to Government of India (GoI) for allotment of 34,380 houses (22,707 for Cuddalore and 11,673 for Villupuram) for Thane cyclone affected families under five *per cent* disaster quota given as a Special project for disaster affected areas under Indira Awaas Yojana (IAY), a GoI sponsored scheme and GoI approved (September 2013) the same for the year 2013-14. As per the funding pattern of IAY, out of the total unit cost of ₹ 70,000, ₹ 17,500 per unit (25 *per cent* of the unit cost) was to be met by GoTN. Besides, ₹ 50,000 per unit was to be met by GoTN towards roofing cost. In order to meet its financial needs for implementation of IAY, GoTN authorised (March 2014) CRDPR to obtain a loan of ₹ 746.10 crore from Tamil Nadu Rural Housing and Infrastructure Development Corporation. The loan was drawn in March 2014 (₹ 373.17 crore) and September 2014 (₹ 372.93 crore). However, while drawing the loan, CRDPR failed to take into account the available funds of ₹ 100 crore parked in its bank account, resulting in excess drawal of loan amount of ₹ 100 crore and avoidable interest payment of ₹ 3.05 crore³ for the period from May 2014 to February 2015.

3.1.4 Selection of Beneficiaries

3.1.4.1 Non-formation of Selection Committee

As per paragraph 2 of guidelines for THS, all rural families which have been affected by Thane cyclone would automatically be eligible for construction of houses with a plinth area of 200 square feet. As per paragraph 9 of the guidelines, selection of beneficiaries should be made by a Committee comprising of Block Development Officer (BDO) (BP), a Deputy BDO and the President of the VP concerned. The list of beneficiaries identified by the Committee should be placed before Grama Sabha for its approval.

Audit scrutiny, of five test checked BPs, revealed that no Committee was constituted to identify the beneficiaries. The VPs selected the beneficiaries based on the list of recipients of Thane cyclone relief furnished by Revenue Department.

GoTN replied (October 2015) that the beneficiaries were selected by the Selection Committees. The reply is not correct since the BDOs of test checked BPs had stated that no separate Committee, comprising BDO (BP),

³ ₹ 5.91 crore (interest paid) minus ₹ 2.86 crore (interest earned in the SB Account for ₹ 100 crore)

Deputy BDO and President of VP was formed, for identification of beneficiaries.

3.1.4.2 Selection of ineligible beneficiaries

The scheme guidelines stipulated that the beneficiary, to become eligible under THS, should either not own other pucca house in the village or elsewhere. He/she should not have benefitted under any other housing scheme of the Government and should have a clear patta for the site/house, in the name of the head of the family or any other member of the household.

Scrutiny of records such as ration card, voter ID card and house tax receipts by Audit revealed that in one case in Cuddalore district, two houses were allotted under the THS based on one patta which was contrary to the guidelines for the THS. As per the details furnished by the CRDPR, only huts were affected by Thane cyclone in Villupuram district. Therefore, individuals whose huts affected by the Thane cyclone were alone eligible for allotment of houses under the THS in Villupuram District. However, it was noticed that three men beneficiaries who had tiled/pucca houses in their names and three women beneficiaries who had tiled/pucca houses in the name of their husbands were allotted houses under the THS in Villupuram District in contrary to the guidelines of the THS.

For allotment of two houses based on one patta in Cuddalore district, GoTN replied (October 2015) that the land patta was in the name of the beneficiary (mother). The other beneficiary was the son of the former, but living separately. The reply is not acceptable since the second beneficiary (son) had a separate family and did not have clear patta in his name or in the name of any other member of the household as required in the guidelines for THS.

In respect of Villupuram district, GoTN replied (October 2015) that in one case, the site belonged to two brothers (i.e. the beneficiary and his elder brother); the brother of the beneficiary constructed his house abutting the beneficiary's house and in respect of another case, the beneficiary attached the THANE house with that of his old tiled house for his convenience. The replies are not acceptable since these two beneficiaries already had houses and were not eligible for allotment of houses under THS. Reply for the remaining four cases are awaited (December 2015).

3.1.4.3 Incorrect inclusion of Neyveli project affected persons under the scheme

GoTN accorded (May 2005) administrative sanction for acquiring lands in Kathalai, Kilpathi and Valayamadevi Melpathi VPs in Chidambaram Taluk, Gangaikondan Town Panchayat in Virudhachalam Taluk and Thenkuthu and Vadakuthu Town Panchayats in Panruti Taluk in favour of Neyveli Lignite Corporation Limited (NLC) for expansion of its mines. NLC provided alternate land sites in Perumathur VP in Kurinchipadi BP and Marungoor VP

in Panruti BP for the persons displaced from the above mentioned villages, besides payment of compensation as per National Rehabilitation and Resettlement Policy, 2007.

Scrutiny of records revealed that District Collector, Cuddalore included (May 2013 and February 2014) 179 NLC project affected persons (for whom alternate sites were provided by the NLC) as beneficiaries under THS. It was observed that the displaced persons had not constructed houses in the alternate lands allotted to them in the two panchayats (Perumathur VP in Kurinchipadi BP and Marungoor VP in Panruti BP) at the time of Thane Cyclone. Compensation for land and structures built on the land acquired for NLC project had already been given by NLC between February 2007 and December 2009 to the persons displaced. They had not constructed houses in the alternate site allotted to them before Thane cyclone. Therefore, their inclusion under this scheme resulted in avoidable expenditure of ₹ 1.15 crore on the completed portion of houses (March 2015).

GoTN replied (October 2015) that the NLC project affected persons did not have pucca concrete houses in their VPs/ Town Panchayats or in the alternate land provided by NLC; they were living in kutcha houses; affected by Thane cyclone and obtained relief from Revenue Department. The reply is not acceptable since compensation for the land and structures built on the land had already been provided by NLC to the displaced persons and they had not constructed houses in the alternate site allotted to them before Thane cyclone.

3.1.5 Execution of the Scheme

3.1.5.1 Adoption of higher cement mortar mix for brick works

As per THS guidelines, the houses were to be constructed as per IAY type design and pattern. As per IAY design, cement mortar (CM) mix of 1:6 was to be adopted in the model estimate for brick work constructions. The same was adopted by the RDPR Department in the State sponsored Kalaingar Veettu Vasathi Thittam (KVVT). Scrutiny of records relating to THS revealed that CM mix of 1:5 was provided in the model estimate instead of the economic design of CM mix of 1:6 for brick work which resulted in avoidable expenditure of ₹ 1.78 crore as detailed in **Appendix 3.1**.

GoTN admitted (October 2015) that CM 1:5 mix was adopted in the model estimate and the beneficiaries preferred to adopt CM 1:5 instead of CM 1:6 as the richer mix would be strong. Reply of GoTN is not acceptable as it is against the concept of low cost housing stipulated in IAY guidelines and the type design of houses under THS is the same as IAY.

3.1.5.2 Non-adoption of fly ash bricks

GoI prescribed (August 2003) that every construction agency, engaged in the construction of buildings within a radius of fifty to one hundred kilometres

from a coal or lignite based thermal power plant, should use fly ash bricks or blocks or tiles or clay fly ash bricks or cement fly ash bricks or blocks or similar products or a combination or aggregate of them in such construction. Further, there are key advantages in using fly ash bricks, as they have higher chloride and sulphate corrosion resistance and plastering on outer wall was not necessary. All the test checked BPs in both Cuddalore and Villupuram Districts are within a radius of 100 km from NLC. The guidelines prescribed by GoTN (August 2012) for implementation of THS stipulated that country bricks, fly ash bricks and Hollow Blocks could be used for construction as desired by the beneficiaries based on the Public Works Department approved data. Audit scrutiny revealed that the model estimates of five test checked BPs and valuation certificates issued by them for payment to beneficiaries did not provide for use of fly ash bricks. The panchayats were in the cyclone affected area near the sea shore and thus vulnerable to chloride and sulphate corrosion. Therefore, use of fly ash bricks would have helped in arresting corrosion besides lowering expenditure, by avoiding plastering. The non-adoption of low cost technology of using fly ash bricks in brick work in house construction had resulted in avoidable expenditure of ₹ 5.85 crore (**Appendix 3.2**) on plastering of walls with cement mortar.

GoTN replied (October 2015) that the cost of fly ash bricks was costlier than that of country bricks and the beneficiaries preferred country bricks to fly ash bricks. The reply is not acceptable. Even though the basic rate of fly ash bricks was costlier, brick works with fly ash bricks does not require outer wall plastering and hence would be economical. This was very essential for low cost housing and fly ash bricks had been used for houses constructed under Tsunami Housing Scheme in Cuddalore District.

3.1.5.3 *Excess expenditure on payment for completed portions of houses constructed under Rural Housing Scheme*

District Collector, Cuddalore accorded (April 2013) administrative sanction to convert 1,580 houses, sanctioned under KVVT scheme during 2010-11, later renamed as Rural Housing Scheme (RHS), which were at basement/lintel level, as pucca concrete houses under THS, as a special case. Expenditure incurred for the work done under RHS was debited to THS by crediting back that amount of expenditure to RHS.

Audit scrutiny revealed that 890 RHS houses completed up to basement level and 690 RHS houses completed up to lintel level were taken up under THS. Expenditure incurred above basement level and lintel level for these houses were to be paid only at the rate applicable to THS. However, payments were made at the rates applicable to THS including for the work already completed under RHS by releasing the differential amount of ₹ 1.28 crore between the two schemes to the beneficiaries as given in **Table 3.2**.

Table 3.2: Excess expenditure on payment of difference in rates of the completed portion of RHS houses

Stages of completion of houses under RHS	Number of non-completed RHS Houses taken up under THS	Rates allowed as per THS (in ₹)	Rates to be allowed as per RHS (in ₹)	Difference in rates (in ₹)	Excess release of grant (in ₹)
(1)	(2)	(3)	(4)	(5)	(6) (Col.(2) X Col.(5))
Basement level	890	18,606	11,571	7,035	62,61,150
Lintel Level	690	41,105	31,605	9,500	65,55,000
Total					₹ 1,28,16,150 or ₹ 1.28 crore

As Schedule of Rates and the specifications for brick work for superstructure were different for the two schemes, the release of differential amount resulted in excess expenditure of ₹ 1.28 crore under THS.

GoTN replied (October 2015) that the incomplete RHS houses which were severely damaged by Thane Cyclone were taken up under THS, since further construction was not possible under RHS as the scheme was closed. Reply is not acceptable since the incomplete RHS houses were taken up under THS only in April 2013 whereas the RHS was closed as early as October 2011. Hence the incomplete RHS houses were taken up under THS in April 2013 only to achieve the target fixed for THS.

3.1.6 Procurement and Supply of Materials

As per paragraph 14 of the guidelines for THS, supply of cement for the scheme should be arranged through Tamil Nadu Cements Corporation Limited (TANCEM) and the payment would be made by the respective DRDA at District level. Steel required for the scheme would be supplied by the respective DRDA by procuring the same through open tender system. As per the handbook issued to the beneficiaries, the estimated requirement of cement and steel for constructing a 200 square feet house under THS were three Metric Tonne (MT) and 0.155 MT respectively.

3.1.6.1 Non-supply of cement at subsidised rates

GoTN directed (June 2012 and February 2013) TANCEM to supply each year four lakh MT of cement from their own supply for 2012-13 and 2013-14 and the required quantity of 9.85 lakh and 8.40 lakh MT of cement from private cement companies for the years 2012-13 and 2013-14 respectively.

The rate at which cement was procured by DRDAs from TANCEM during 2012-13 and 2013-14 ranged between ₹ 235 and ₹ 245 per bag. GoTN also fixed (November 2012 and May 2013) the rate for procurement of cement by DRDA from private companies at ₹ 222.50 per bag (Cost of cement: ₹ 220; margin money: ₹ 2 and inspection charges: ₹ 0.50) for the years 2012-13 and 2013-14. CRDPR had also directed (December 2012 and November 2013) all

DRDAs to adopt the cost of cement supplied by private companies at ₹ 222.50 per bag in the estimates for all housing schemes so as to supply cement at maximum subsidised rates to the beneficiaries.

It was observed in Audit that all the five test-checked BPs had recovered the cost of cement from the beneficiaries at the rate ranged between ₹ 225 and ₹ 257 per bag, instead of recovering the cost of cement at ₹ 222.50 per bag as instructed by CRDPR. This had resulted in short release of grant amounting to ₹ 2.95 crore to the beneficiaries during the period 2012-15 as detailed in the **Appendix 3.3.**

GoTN replied (October 2015) that it was hard to differentiate the cement of two different rates among the beneficiaries and to maintain uniformity in the recovery rates among the beneficiaries, uniform recovery rate was arrived at and recovered. The reply is not tenable as uniform recovery rate of ₹ 222.50 per bag, as prescribed by CRDPR, was not adopted by the five test checked BPs.

3.1.7 Other points

3.1.7.1 Irregular deduction of Labour Welfare Fund

As per Government Order issued in September 2010, Labour Welfare Fund (LWF), building licence fees etc. should not be deducted from the beneficiaries of Integrated Housing and Slum Development Programme as in the case of IAY, Jawaharlal Nehru National Urban Renewal Mission (JNNURM) schemes etc. as the beneficiaries are themselves involved in the construction of houses. However, it was observed in Audit that two BPs (Kandamangalam and Koliyanur) in Villupuram District had recovered the amount of contribution from the beneficiaries towards LWF resulting in short release of grant of ₹ 0.12 crore and kept the amount in the VP's THS account.

GoTN replied (October 2015) that orders had been issued to refund the amount to the beneficiaries.

3.1.7.2 Rain water harvesting

As per paragraph 4 of the scheme guidelines, rain water harvesting (RWH) structure should be provided in all the houses. However, no provision was made in the estimate and, hence, the same was not developed by the beneficiaries in all the test checked VPs.

GoTN replied (October 2015) that provision of RWH structure would have an additional cost of ₹ 5,000 which was five *per cent* of the total estimated cost; would definitely be a burden to the beneficiaries; most of the beneficiaries of THS have constructed RWH structures; only a few have not provided RWH and were educated to provide RWH at their own interest and cost.

3.1.8 Conclusion

Though the Thane Housing Scheme was intended to be completed within the financial year 2012-13, construction of houses was not completed in both Cuddalore and Villupuram districts even after two years. Non-formation of Selection Committee for selecting the beneficiaries led to allotment of houses to ineligible beneficiaries. There was excess of expenditure on payment for completed portion of houses constructed under Rural Housing Scheme. Cement was not supplied at subsidised rates to the beneficiaries of Thane Housing Scheme.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

3.2 Loss of revenue

NINE VILLAGE PANCHAYATS IN KANCHEEPURAM AND TIRUVALLUR DISTRICTS

3.2.1 Non-collection of Infrastructure and Amenities charges

Failure of the Executive Authorities of nine Village Panchayats to levy Infrastructure and Amenities Charges before issue of building permit resulted in loss of revenue of ₹ 2.31 crore.

Proviso to Rule 25 of Tamil Nadu Panchayat Building (TNPB) Rules, 1997 stipulated that the Executive Authority of the Village Panchayat (VP) should not grant approval for construction, reconstruction, addition or alteration of any building without consulting the concerned Joint Director or Deputy Director of Town and Country Planning (DTCP). The local authority (i.e. VP) should levy Infrastructure and Amenities (I & A) charges on the institution of use or change of use of land or building or development of any land or building in the whole area or any part of the planning area at the prescribed rates as per Section 63-B of the Tamil Nadu Town and Country Planning (TNTCP) Act, 1971. As per Section 2(10) of the TNTCP Act, 1971, educational institutions fall under commercial category. In June 2007, Government of Tamil Nadu (GoTN) fixed the rate of I & A charges to be collected on different categories of buildings. For commercial buildings, the rate of I & A charges was ₹ 500, ₹ 250 and ₹ 375 per square metre from 01 June 2007, 08 February 2008 and 28 March 2012 respectively.

Audit scrutiny of records revealed that Executive Authorities of nine VPs (seven in Kancheepuram District and two in Tiruvallur District) issued building permits to 10 educational institutions without obtaining the concurrence of DTCP and collecting I & A charges. Non-compliance of the

above rules by the Executive Authorities of these nine VPs resulted in non-collection of I & A charges amounting to ₹ 2.31 crore.

On this being pointed out (March 2015) by Audit, GoTN replied (October 2015) that action had been taken to issue surcharge notice against the VP Presidents who had caused loss to the Government by issuing planning permission without concurrence of DTCP. GoTN further stated that plan approval for the concerned educational institutions in Tiruvallur District were sanctioned during the tenure of previous VP Presidents and the educational institutions were directed to apply for the revised plan approval from DTCP and to remit the I & A charges. It was further stated that notices have since been issued by the VP Presidents to the concerned educational institutions.