REPORT OF THE
OMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 1996

No. 3

(CIVIL)

GOVERNMENT OF TAMIL NADU

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ERRATA

Report of the Comptroller and Auditor General of India for the year ended 31 March 1996 - No.3 (Civil) Government of Tamil Nadu.

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3.	(xxv)	Para 15 17th line	were the cost recovered.	was the cost recovered.
4.	(xxv)	8th line from bottom	Non-accounting shortages of	Non-accounting/ shortage of
5.	121	Para 3.18.9.1 12th line	The lowest wages of	The lowest wage of
6.	160	9th line	was not applicable	were not applicable
7.	205	11th line	only 85 tonnes of	85 tonnes of

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APPENDICES

PREFATORY REMARKS

This Report for the year ended 31 March 1996 has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1995-96 together with other points noticed during audit of financial transactions of the Government of Tamil Nadu. It also includes certain points of interest emerging from the Finance Accounts for 1995-96.

2. This Report includes *inter alia* Audit reviews on Employment Assurance Scheme, Government Agricultural Engineering Workshop, National Highways, Special Central Assistance to Special Component Plan for Scheduled Castes and Tamil Nadu Urban Development Project - Transport Component besides other points arising out of audit of bodies and authorities conducted under the various provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

3. Observations of Audit for the year 1995-96 on Revenue Receipts and on Statutory Corporations, Boards and Government companies are presented in separate Reports.

4. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1995-96, as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1995-96 have also been included, wherever considered necessary.

OVERVIEW

OVERVIEW

This Report includes two chapters containing observations of Audit on Finance and Appropriation Accounts of Government of Tamil Nadu for the year 1995-96 and five other chapters containing five audit reviews and 59 paragraphs arising from the audit of financial transactions of Government of Tamil Nadu. A synopsis of findings contained in the audit reviews and important paragraphs is presented in this overview.

1. Review of the State's finances

The assets of the State Government increased by 64 *per cent* from Rs. 5981.62 crores to Rs.9822.73 crores during 1991-92 to 1995-96, while the liabilities grew by 80 *per cent* from Rs. 8440.49 crores to Rs. 15208.38 crores during the same period. The liabilities of the State Government exceeded the assets during the last five years and the deficit increased from Rs. 2458.87 crores in 1991-92 to Rs. 5385.65 crores in 1995-96.

Tax revenue raised by the State Government grew by 92 *per cent* from Rs.3734.11 crores in 1991-92 to Rs.7151.20 crores in 1995-96. The non-tax revenue declined by 23 *per cent* during the same period.

Non-plan revenue expenditure of the State Government increased by 22 *per cent* from Rs.7370.77 crores in 1991-92 to Rs.8996.78 crores in 1995-96. The Plan expenditure increased by of 46 *per cent* from Rs.1308.75 crores to Rs. 1913.79 crores during this period.

Assistance to local bodies during the three year period ranged between 15 and 18 *per cent* of the tax and non-tax revenue receipts. In relation to 1993-94, the amount of assistance during 1995-96 had increased by 17 *per cent*.

The internal debt of the Government had grown by 66 *per cent* from Rs.1811.17 crores to Rs.3015.02 crores during 1995-96, while the loans and advances from Central Government had increased by 92 *per cent* from Rs. 3936.84 crores to Rs. 7539.72 crores.

The interest payment on the borrowings of the Government had increased by 148 *per cent* from Rs.557.30 crores to Rs.1380 crores during 1991-92 to 1995-96. 70 to 93 *per cent* of the public debt receipts were applied for repayment of principal and interest during 1991-95. During 1995-96, repayment of principal and interest exceeded the Public debt receipts by Rs.187.43 crores.

Interest obligations alone contributed 91 *per cent* of the debt receipts during the year. The repayment of Central loans and accrued interest worked out to 56 to 105 *per cent* of the loans received from the Central Government during 1991-92 to 1995-96.

As on 31 March, 1996, the total investment of Government in share capital of Statutory Corporations, Companies and Co-operative Institutions stood at Rs.770.08 crores; whereas, the return on these investments during 1995-96 was only Rs.28.38 crores (3.69 *per cent*) and far below the interest payable on the borrowings of the Government from open market (14 *per cent*).

The accumulated losses of 45 Government Companies in which the Government had invested Rs.325.40 crores as on 31 March, 1996 aggregated to Rs.581.52 crores.

The revenue of Rs.2.08 crores realised during 1994-95 from 5 major and 39 medium irrigation projects constituted 0.17 *per cent* of the capital outlay and these were not sufficient to cover even the direct working expenses (Rs.21.64 crores).

(Paragraphs 1.1 to 1.9)

2. Appropriation Audit and control over expenditure

During the year, expenditure of Rs.12826.19 crores was incurred against the total grants and appropriations of Rs.14902.18 crores resulting in saving of Rs.2075.99 crores (14 *per cent*). The overall saving was the result of saving of Rs.2188.50 crores in 53 grants (Rs.720.92 crores) and 48 appropriations (Rs.1467.58 crores), off-set by excess of Rs.112.51 crores under 8 grants (Rs.112.34 crores) and 11 appropriations (Rs.0.17 crore). The above excess of Rs.112.51 crores required regularisation by the Legislature under Article 205 of the Constitution.

Supplementary provision of Rs.1614.06 crores obtained during 1995-96 constituted 12 *per cent* of the original budget provision of Rs.13288.12 crores. In 13 grants and 6 appropriations, supplementary provision of Rs.212.02 crores obtained proved unnecessary. On the other hand, in 6 grants, supplementary provision obtained during the year proved insufficient by more than Rs.50 lakhs each resulting in uncovered excess expenditure aggregating Rs.107.94 crores.

Persistent savings of 5 *per cent* and above were noticed in 9 grants and 6 appropriations during 1993-94 to 1995-96. Under Capital outlay on irrigation saving occurred in all the preceding 17 years, the percentage of saving ranging from 10 to 45.

In 17 grants and 4 appropriations, expenditure during the year fell short by more than Rs.1 crore each and also by more than 10 *per cent* or more of the total provision.

Expenditure totalling Rs.51.33 crores incurred on 63 schemes attracted the limitation of New Service/New Instrument of Service for which approval of Legislature or advance from the Contingency Fund should have been obtained. In respect of 14 other schemes, against token provisions, Rs.60.91 crores were spent without specific inclusion in supplementary estimates.

In contravention of Financial Rules, Rs.182.28 crores withdrawn during the financial year were kept in deposit heads for meeting expenditure in the ensuing financial year.

(Paragraphs 2.1 to 2.9)

3. Special Central Assistance to Special Component Plan for Scheduled Castes

Government of India is providing 100 *per cent* Special Central Assistance as an additive to states' Special Component Plan for development of people belonging to Scheduled Castes. An expenditure of Rs.134.85 crores was incurred by the State during 1991-96. Neither the unutilised balances of Rs.27.81 crores (1991-92),Rs.27.68 crores (1992-93), Rs.22.55 crores (1993-94) and Rs.2.92 crores (1994-95) with Government of Tamil Nadu at the end of the respective financial years were surrendered nor revalidation orders of Government of India for utilisation of the funds during subsequent years was obtained. Out of Rs.28.38 crores released by Tamil Nadu Adi Dravidar Housing and Development Corporation to 9 departments/ agencies during 1991-96, unutilised balance of Rs.8.13 crores was not refunded. The Corporation overcharged Special Central Assistance funds by Rs.7.37 crores towards cost of staff.

Details of number of families uplifted with the level of assistance during the last 15 years (1980-1995) were not available. No household survey was conducted to facilitate undertaking systematic and need-based economic development programmes. Four schemes, on which an expenditure of Rs.1.14 crores was incurred, were not conducive of ensuring sustained income to Hindu Adi Dravidars and their eventual upliftment above poverty line. Non-adherence to the prescribed ceiling for payment of subsidy resulted in excess release of subsidy of Rs.3.49 crores. Expenditure of Rs.61.69 lakhs incurred on installation of 207 looms was not beneficial as these were either sold or kept idle. Contrary to guidelines of Government of India, Special Central Assistance of Rs.40.23 lakhs was spent on ineligible programmes. The objective of providing employment to 1,327 Hindu Adi Dravidars of a Co-operative Spinning Mill and 16 Industrial Co-operative Societies was not largely achieved as the

Mill became sick and the Societies did not function. Though an expenditure of Rs.2.85 crores was incurred on training 43,970 candidates, no data were available on their gainful employment. Achievement of more than 97 *per cent* of target was reported to Government of India though expenditure was only between 38 *per cent* and 54 *per cent* of the provision during 1991-94.

(Paragraph 3.1)

4. Tamil Nadu Urban Development Project - Transport Component

The main objective of the transport component of the World Bank aided project was to improve the identification and implementation of cost effective urban road and traffic management schemes through construction and improvement of roads, bridges, signals and pedestrian facilities. As of March 1996, expenditure of Rs.249.95 crores was incurred.

Cost over-run of 2 to 96 *per cent* was noticed in 16 out of 36 works taken up due to inadequate design and site investigations, inadequate staff, inadequate planning of schedule for execution of work, non-acquisition of land in time and lack of co-ordination among various executing agencies. Despite introduction of a special clause in tender conditions to neutralise cost escalation, tender premium continued to be high in 38 *per cent* cases and tender response was poor.

Delays in approval of tender proposals, failure to finalise tender within the validity period and defective evaluation of tender in respect of 13 works resulted in extra liability of Rs.5.29 crores. Extra expenditure of Rs.57.56 lakhs was incurred on a road work in Chennai city due to defective execution of agreement in respect of price variation clause. There was excess payment of Rs.1.14 crores in two works due to incorrect computation and inadmissible payment on price variation. Non-observance of standard specifications by Highways and Rural Works Department resulted in avoidable expenditure of Rs.57.85 lakhs. Due to non-completion of allied works and non-provision of infrastructure, expenditure of Rs.3.80 crores incurred on improving two roads and construction of six buildings was not beneficial. Sixteen vehicles procured at the cost of Rs.44.39 lakhs were kept idle.

Non-completion of construction of depots under BUS component resulted in non-accrual of projected financial benefit of Rs.2.24 crores to Pallavan Transport Corporation. Delay by Government of Tamil Nadu in discharging the loan liability of Pallavan Transport Corporation resulted in avoidable extra expenditure of Rs.2.57 crores.

(Paragraph 3.14)

5. Employment Assurance Scheme

The Centrally sponsored scheme was launched in 1993 to provide assured wage employment to rural poor for 100 days during lean agricultural season to enhance their purchasing power. The secondary objective was creation of economic infrastructure and durable and productive community assets for sustained employment and development.

Of Rs.161.48 crores released during 1993-96, expenditure of Rs.123.09 crores was incurred under the scheme leaving unutilised balance of Rs.38.39 crores with District Rural Development Agencies. Four District Rural Development Agencies reported utilisation of Rs.13.57 crores out of Rs.19.39 crores received during 1993-96 as against actual utilisation of Rs.6.84 crores. The poor utilisation of funds by District Rural Development Agencies was indicative of absence of realistic assessment of requirements of funds. Rupees 30.30 lakhs including interest of Rs.10.07 lakhs earned on deposits were diverted to other schemes during 1994-96. In 4 districts test-checked, no shelf of projects was prepared and the annual action plans prepared did not contain information regarding adequacy of works allotted for ensuring generation of 100 mandays. In 20 blocks, 75 *per cent* of the works were executed during active agricultural season instead of during lean season. Out of 4.07 lakh persons registered for works, family cards were issued only to 2.41 lakh persons. In 17 blocks, response to the scheme from the rural workers was poor as only 19 *per cent* of persons living below the poverty line were registered for works. Despite incurring expenditure of Rs.1.27 crores, durable and productive assets as envisaged under the scheme were not created. Contrary to stipulation of Government of India, workers were paid less than the minimum wages to the extent of Rs.1.04 crores in 414 works. The non-revision of rate of wages for 8 hour works per day contemplated under the scheme resulted in underpayment of wages to workers during 1993-96 to the extent of Rs.6.34 crores.

(Paragraph 3.18)

6. National Highways

Government of India is primarily responsible for construction, development and maintenance of National Highways. The construction and maintenance of National Highways are entrusted to respective State Governments. The entire expenditure is met by Government of India and State Governments are entitled for agency charges at 9 *per cent* for meeting establishment expenses. Expenditure of Rs.16.97 crores was incurred in excess of admissible agency charges during 1990-96. Test-check of 202 tender calls pertaining to the years 1990-95 revealed that 181 cases were responded to by only one (32 cases) or two (149 cases) tenderers indicating poor response from tenderers. Of the 93 cases test-checked in four circles under latter category, the same pair of tenderers participated in 2 or more calls in 39 cases. The restricted sale of tender forms and failure to delete the names of the contractors not participating in tender calls vitiated the tendering system. Avoidable delay in acceptance of tenders within the validity period in two cases resulted in extra commitment of Rs.36.58 lakhs. Extra liability of Rs.38.82 lakhs was incurred due to injudicious rejection of lowest tender in three cases. Failure of the department to assess requirement of profile correction course before awarding the contract and that of Government to entrust additional works contingent to main work to the main contractor resulted in avoidable extra commitment of Rs.44.04 lakhs. Delay in acquisition of land and in selection of proper design pushed up cost of construction of approach road to a railway overbridge by Rs.2.24 crores. Under 'National Highways Project' of widening and strengthening of carriageways of National Highways - 45, a total amount of Rs.7.60 crores was paid for use of foreign inputs under 4 packages without any documentary evidence of their actual use. Payment of Rs.3.11 crores were made to contractor under packages I and II on account of payment of escalation in cost of foreign inputs without ensuring the correctness/authenticity of particulars of base index furnished by the contractor. In contravention of provisions of agreement, contractors were paid Rs.31.03 lakhs towards price variation for additional works executed at the rates fixed under current schedule of rates.

(Paragraph 4.2)

7. Government Agricultural Engineering Workshop

The workshop taken over by Agriculture Department in 1958 to run on commercial lines mainly caters to the needs of Agriculture Department. It was engaged in manufacture and reconditioning of hand-operated well boring equipments, drilling/ fitting tools, power drills, etc. The workshop had not evolved any standard man/machine hours for each job nor any system of job costing for effective control over materials, men and machinery. Utilisation of labour and machine had steadily declined to 34 *per cent* and 36 *per cent* from 67 *per cent* and 53 *per cent* respectively during 1993-96.

Though entire machinery of the workshop had far outlived their life, there was no plan for modernisation/diversification. Due to heavy overhead charges (300 *per cent* on labour), Agriculture Department got their jobs executed through private parties.

(Paragraph 7.2)

8. Non-achievement of objectives of schemes/programme

After lapse of 6 years of launching the scheme of "Restructuring and Reorganisation of Teachers' Education" and incurring expenditure of Rs.3.13 crores on provision of infrastructural facilities, in-service training of teachers had not been commenced as of May 1996 in the State.

(Paragraph 3.3)

Despite release of Rs.3.79 crores in March 1994, the objective of modernisation of five Co-operative Spinning Mills could not be achieved due to non-procurement of machinery. The amount of Rs.3.79 crores released for the purpose also remained unutilised outside Government account for more than two years.

(Paragraph 3.5)

The list of equipment prescribed in the syllabus for the trade Motor Mechanic training conducted in Industrial Training Institutes included old motor vehicle in running condition. Under a Centrally shared World Bank assisted project, the Director of Employment and Training, Chennai, however, purchased 37 new lorries at the cost of Rs.1.42 crores partly utilising the Central assistance of Rs.71.07 lakhs. As Government of India declined to reimburse the cost of new vehicles, these were transferred to Police Department in October 1995 and December 1995 in lieu of old vehicles in running condition to be transferred by Police Department. As the old vehicles had not been transferred so far, injudicious purchase of 37 new lorries resulted in non-achievement of the objective of provision of motor vehicles to trainees of 15 Industrial Training Institutes.

(Paragraph 3.16)

9. Unproductive/infructuous expenditure

Due to defective construction and use of sub-standard material, construction of 512 house-cum-workshed units for handloom weavers in Chidambaranar District was not completed even after 6 years of commencement of construction. The subsidy of Rs.25.60 lakhs (including Central assistance of Rs.14.80 lakhs) released in April 1989 remained unproductive.

(Paragraph 3.6)

Expenditure of Rs.1.44 crores incurred during 1980-81 to 1993-94 on creation of infrastructural facilities in Valinokkam and Colachel ports remained largely unfruitful as there was no likelihood of these facilities being utilised in near future.

(Paragraphs 3.23 and 3.24)

10. Additional/Avoidable expenditure by Public Works Department

The under-mentioned shortcomings were noticed in the execution of works by Public Works Department (excluding National Highways) which resulted in extra expenditure by way of avoidable expenditure or additional liability :

- delay in finalisation of tenders resulting in additional liability of Rs.1.75 crores,
- non-acceptance of valid lowest tender resulting in extra expenditure of Rs.43.52 lakhs,
- excess payment of Rs.1.12 crores to contractors,
- unfruitful outlay of Rs.19.87 lakhs due to delay in getting forest land transferred,
- failure to provide correct design initially resulting in extra liability of Rs.6.18 lakhs,
- avoidable extra expenditure of Rs.31.29 lakhs on construction of jeep tracks and payment of Rs.5.48 crores to contractors for use of foreign inputs in road works in the absence of documentary evidence.

(Paragraphs 4.3 to 4.10 and 4.12)

The water meter workshops at Coimbatore, Madurai and Salem sanctioned in March 1983 had not been commissioned as of June 1996 despite incurring expenditure of Rs.24.58 lakhs, for want of staff and delay in commissioning of equipment.

(Paragraph 6.14)

11. Irregularities in purchase of stores, etc.

Non-adherence of instructions issued by Government from time to time under "Institutional priorities" for placement of orders for supply of equipment, machines, etc. resulted in undermentioned irregularities.

- three departments placed orders for Rs.5.42 crores with 24 Societies which were not manufacturers of Leather Stitching Machines, Wet Grinders, etc. This also resulted in extra expenditure of Rs.1.41 lakhs;
- orders were placed directly with 44 Societies without routing through Tamil Nadu Khadi and Village Industries Board; thirty eight of these Societies to which advances of Rs.8.27 crores were paid did not effect any supply; remaining six Societies effected only partial supply of equipment for steam laundries for a value of Rs.83.15 lakhs against total advance of Rs.1.44 crores paid;
- failure to restrict advance payment to 50 *per cent* of the value of orders resulted in excess payment of advance of Rs.40.53 lakhs;
- though advance payment was not payable, Rs.4.57 crores were paid to 22 Societies;
- Tamil Nadu Khadi and Village Industries Board, to whom advance payment of Rs.1.73 crores was made in December 1993 for supply of 19.50 lakh pairs of footwear, supplied only 5.29 lakh pairs valued Rs.93.83 lakhs and the balance amount was not refunded, and
- though quality of 4,123 cobbler bunks supplied was poor, no proportionate cut in price was effected.

(Paragraph 5.1)

Failure to exercise prudence in ensuring that price accepted for the purchase of Pralidoxime Iodide injection (P_2AM) did not exceed the market rate resulted in avoidable excess expenditure of Rs.1.02 crores on purchase of 69,917 ampoules.

(Paragraph 5.2)

12. Building/equipment not put to beneficial use

Due to non-sanction of additional staff, furniture, etc., two floors constructed in June 1994 at the cost of Rs.59.90 lakhs at the Government Rajaji Hospital, Madurai remained unutilised for over two years.

(Paragraph 3.10)

Due to want of technical staff to operate a steam laundry installed in May 1994 at the cost of Rs.55 lakhs in District Headquarters' Hospital, Virudhunagar and non-provision of ramp for 20 bedded family planning ward constructed in July 1993 at the cost of Rs.8.03 lakhs in Chengalpattu Medical College Hospital, the assets created were not put to beneficial use.

(Paragraph 3.11)

13. Loss of Revenue

Failure to take effective action to auction trees early and to prevent illicit felling of trees resulted in loss of revenue of Rs.10.09 lakhs.

(Paragraph 6.15)

14. Blocking of funds

Due to delay in deciding the agency for maintenance of abattoir, Central assistance of Rs.98 lakhs remained unutilised with the State for 2 years and infructuous expenditure of Rs.2.87 lakhs was incurred.

(Paragraph 3.2)

Procurement of stores far in advance of requirement by Public Works Department resulted in blocking of Rs.23.07 lakhs.

(Paragraph 5.3)

Despite being aware of non-eligibility of project for World Bank assistance, release of grant by State Government to Tamil Nadu Energy Development Agency resulted in blocking of Rs.15 lakhs for over 4 years.

(Paragraph 6.6)

15. Other points of interest

VIII World Tamil Conference :

For the Eighth World Tamil Conference held in January 1995, total expenditure of Rs.7.85 crores was incurred on publicity, improving infrastructural facilities and furnishing of new flats to accommodate delegates. Due to belated action of the sub-committee, Government could not resort to open tendering system as required under codal provisions for publicity works executed at the cost of Rs.2.56 crores. Sixty four arches, valued Rs.33.46 lakhs were removed even before inspection by Public Works Department and there were no supporting measurement for these works. One hundred and twenty five improvement works costing Rs.1.39 crores were carried out at Thanjavur after the conclusion of the conference and they did not serve the intended purpose. Furniture items costing Rs.31.68 lakhs were not transferred according to Government instructions, by Tamil Nadu Tourism Development Corporation to needy departments after conclusion of the conference. Neither furniture, fittings and furnishings provided in the accommodation for delegates at the total cost of Rs.67.82 lakhs were received back from Tamil Nadu Housing Board nor were the cost recovered.

(Paragraph 3.8)

Free supply of sarees and dhoties :

Under the scheme of "Free supply of sarees and dhoties", assessment of requirement was not made correctly which resulted in accumulation of stock of 1.32 lakh sarees and 2.15 lakh dhoties as of June 1996 in 13 districts. The supply of required quantities of sarees and dhoties for distribution for Pongal 1995, without taking into account the residual stock which had remained undistributed resulted in avoidable expenditure of Rs.1.28 crores in 4 districts. In 3 districts test-checked, sarees and dhoties valued Rs.17.81 lakhs were damaged. Out of this, 0.10 lakh sarees and 0.10 lakh dhoties were distributed to inmates of orphanages and destitute homes. Non-accounting shortages of sarees and dhoties valued at Rs.19.80 lakhs was noticed in three districts test-checked. According to the report of the Department of Evaluation and Applied Research, 40 *per cent* of the beneficiaries who were supplied free sarees and dhoties under the scheme were ineligible.

Due to procurement of powerloom sarees and dhoties with shorter length and sub-standard specifications at the cost of Rs.11.72 crores for Pongal 1996, all the sarees and dhoties remained undistributed.

(Paragraph 3.9)

Memoranda of Understanding :

Despite awareness of resistance of local people for setting up of the "Nylon 6,6" Project in Goa on environmental issue, no in-depth examination of environmental aspect was undertaken by Government of Tamil Nadu before signing a Memorandum of Understanding in June 1995 for setting up of the project in the State.

The Memorandum of Understanding signed in January 1996 with another firm for manufacture of vehicles was at variance with the terms and conditions approved by Government in December 1995. The concessions admissible for Super Mega Projects were extended to the firm without ensuring the firm to commit to invest Rs.1500 crores within the time frame of 5 to 7 years as contemplated in the Government approved draft memorandum. The agreement was also silent on the minimum incremental investment of Rs.500 crores required for diversification to avail the fiscal concessions. Deletion of penal clause in the signed memorandum cast additional liability on Government towards compensation charges payable to Tamil Nadu Electricity Board if the power factor of high tension service connection fell below 0.9. The transfer of liability on construction of electric lines and transformers and provision of railway sidings would result in additional financial burden of Rs.12.77 crores to Government. Due to non-stipulation of specific time schedule for fulfilment of the obligations by the firm, the life of the Memorandum would be indefinite. While fixing the land cost, the financial liability towards on-site and off-site infrastructure facilities to be provided by Government was not taken into account and this would result in avoidable unwarranted financial burden to Government. Waiver of Government's right to re-acquire any part of the land had caused a situation where the firm could utilise the land for purposes other than for the expansion of the project.

(Paragraph 3.15)

Eight Industrial Estates for achieving organised development and speedy growth of electrical and electronics industries were established by Small Industries Department during 1967-87 at the cost of Rs.2.19 crores. In seven estates, out of 502 plots (150.77 acres) developed, only 423 plots (131.62 acres) were allotted as of October 1995 and industrial units were established in 181 plots (58.61 acres) only. The objective of speedy growth of electrical/electronic industries was, thus, not achieved. Though 62 plots were used for setting up of units not connected with electrical/ electronic products, no action was taken to cancel the allotment. In two industrial estates, demands for collection of land cost were not raised resulting in Rs.15.30 lakhs (including interest) remaining unrecovered (March 1995). In four estates, Rs.66.46 lakhs were outstanding as of July 1995 towards rental/hire charges.

(Paragraph 3.19)

While purchasing drugs to improve the health status of the children, the guidelines of the World Bank were not adhered to resulting in deprival of subsidy amounting to Rs.1.48 crores.

(Paragraph 3.21)

Tender procedure was not adopted for purchase of gold rings for supply to girl children under "Puratchi Thalaivi Dr.J. Jayalalitha Scheme for Girl Child". Supply orders for supply of gold rings did not indicate the number of rings to be supplied, their purity and time schedule for the supply. The making charges paid varied from 2 to 11 *per cent* of the cost of gold. Rupees 27.23 lakhs released (February/March 1996) for purchase of 3,404 gold rings were lying unutilised with eight District Social Welfare Officers, as procurement of gold rings was stopped due to adverse press comments. 639 rings purchased during 1993-94 to 1995-96 remained undistributed. The scheme formulated without taking into account the fluctuations in cost of gold, making charges and Sales Tax was inherently defective and resulted in unequal benefits to beneficiaries.

(Paragraph 3.22)

Purchase of Colour Television Sets:

Though financial rules required adopting of 'open tender' system, Rural Development Department resorted to 'limited tender' for purchase of 45,302 colour television sets denying Government the benefit of competitive bidding. Failure to ascertain through open tender a reasonable rate for the minimum technical requirements of the Department resulted in avoidable expenditure of Rs.10.12 crores. Despite placing bulk orders with manufacturers, concessions normally admissible were not sought for and injudicious payment on this account amounted to Rs.8.53 crores. Due to want of infrastructure facilities, 18,449 colour television sets including antennae and boosters costing Rs.28.58 crores remained idle as of June 1996. Due to non-installation of these sets, the benefit of warranty clause valued Rs.46.12 lakhs could not be availed. 249 sets costing Rs.38.57 lakhs were installed in private houses defeating the objective of community viewing.

(Paragraph 5.4)

Tamil Nadu Pollution Control Board:

Enforcement of the Water and Air (Prevention and Control of Pollution) Acts and the Environment (Protection) Act by Tamil Nadu Pollution Control Board was not effective mainly due to staff constraints. Despite availability of surplus funds and absolute powers to create posts, no action was taken to provide adequate staff. No survey was conducted to plan and execute comprehensive programme for prevention, control and abatement of pollution. None of the Government hospitals and local bodies numbering 13,381 had obtained consent of the Board for discharging the effluents. The Board had not taken concrete steps for establishment of Common Effluent Treatment Plants and for creation of hazardous waste disposal facilities. No remedial action had been taken to contain marine and river pollution and the pollution of Chennai city waterways. Control of vehicle pollution was confined to goods carriages in Chennai city only.

(Paragraph 6.7)

National AIDS Control Programme:

Though commodity grant of Rs.1.76 crores was credited to the State in September 1994 under National AIDS Control Programme, no action was taken to ensure receipt of materials. Failure to exercise financial prudence while extending the contract period for publicity resulted in non-accrual of trade commission of Rs.14.52 lakhs to the State. Incorrect fixation of rate for telecast of television spots on Doordarshan resulted in excess payment of Rs.18.95 lakhs to a private advertising agency. Due to failure to ensure reasonable rate for production of VHS cassettes, there was avoidable additional expenditure of Rs.26.67 lakhs. Contrary to guidelines of Government of India, PVC corrugated boards/sheets, furniture and Information, Education and Communication materials were procured for a value of Rs.45.64 lakhs without calling for quotations. In the absence of supportive information, correctness of payment of Rs.1.18 crores to non-governmental organisations could not be verified.

(Paragraph 6.8)

In 16 departments, of 1.76 lakh utilisation certificates due in respect of grants aggregating Rs.2073.23 crores paid during the period from March 1981 to March 1995, only 4,429 utilisation certificates for Rs.234.79 crores had been furnished by grantees as of 30 September 1996 and 1.71 lakh certificates for aggregate amount of Rs.1838.44 crores were in arrears.

(Paragraph 6.2)

CHAPTER I

FINANCIAL POSITION OF GOVERNMENT OF TAMIL NADU

1.1. Summarised Financial Position

1.1.1. The financial position of Government of Tamil Nadu as on 31 March, 1996 emerging from Finance Accounts for the year 1995-96, abstract of receipts and disbursements and sources and application of funds are detailed in Statements I, II and III.

STATE

SUMMARISED FINANCIAL POSITION OF THE

Amount as on 31.03.1995	Liabilities		Amount as on 31.03.1996
2561.37	Internal Debt -		3015.02
	Market Loans bearing interest	2693.11	
	Market Loans not bearing interest	3.84	
	Loans from LIC	137.52	
	Loans from other Institutions	180.55	
	Ways and Means Advances	..	
..	Overdrafts from Reserve Bank of India		..
6800.81	Loans and Advances from Central Government -		7539.72
	Pre 1984-85 Loans	376.28	
	Non-Plan Loans	2868.53	
	Loans for State Plan Schemes	4222.39	
	Loans for Central Plan Schemes	16.49	
	Loans for Centrally Sponsored Plan Schemes	56.03	
143.09	Contingency Fund		149.68
1811.33	Small Savings, Provident Funds, etc.		1997.34
1146.14	Deposits		1276.12
1074.88	Reserve Funds		1155.21
3.30	Advances		0.96
60.95	Remittance Balances		74.33
13601.87			15208.38

@ Differs from balance shown in last year's account due to *pro forma* corrections.

^ Difference between assets and liabilities due to *pro forma* corrections as stated at @.

MENT I

GOVERNMENT OF TAMIL NADU AS ON 31.03.1996

(Rupees in crores)

Amount as on 31.03.1995	Assets		Amount as on 31.03.1996
4476.11@	Gross Capital Outlay on Fixed Assets -		5067.05
	Investment in shares of Companies, Corporations, etc.	770.08	
	Other Capital Outlay	4296.97	
3442.08	Loans and Advances -		3795.68
	Loans for Power Projects	1135.06	
	Other Development Loans	2410.40	
	Loans to Government Servants and Miscellaneous Loans	250.22	
46.23	Reserve Fund Investments		46.18
36.30	Suspense and Miscellaneous Balances		(-)11.43
526.83	Cash -		925.25
	Cash in Treasuries and Local Remittances	8.79	
	Deposits with Reserve Bank	50.00	
	Departmental Cash Balance	1.46	
	Permanent Advances	1.39	
	Cash Balance Investment	863.61	
5075.90	Deficit on Government Account -		5385.65
	(i) Revenue Deficit of the current year	311.32	
	(ii) Appropriation to Contingency Fund	..	
	(iii) Miscellaneous deficit	0.01	
	Accumulated deficit upto 31 March 1995	5074.32@	
13603.45A			15208.38

STATE

ABSTRACT OF RECEIPTS AND

SECTION A - REVENUE

	Receipts		
I.	Revenue receipts -		10599.25
	Tax revenue	7151.20	
	Non-tax revenue	858.45	
	State's share of Union Taxes	1805.59	
	Non-Plan grants	126.95	
	Grants for State Plan Schemes	326.44	
	Grants for Central and Centrally Sponsored Plan Schemes	330.62*	
II.	**Revenue deficit carried over to Section B**		311.32
			10910.57

* Higher rounding

MENT II

DISBURSEMENTS FOR THE YEAR 1995-96

(Rupees in crores)

Disbursements	Non-Plan	Plan	Total	
I. Revenue expenditure - sector				
General services				
Social services -	3404.14	4.11	3408.25	
Education, Sports, Art and Culture	2037.62	142.97	2180.59	
Health and Family Welfare	479.19	218.99	698.18	
Water Supply, Sanitation, Housing and Urban Development	68.86	284.09	352.95	
Information and Broadcasting	11.67	41.30	52.97	
Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	111.16	203.23	314.39	
Labour and Labour Welfare	66.01	4.26	70.27	
Social Welfare and Nutrition	474.97	182.04	657.01	
Others	6.37	0.16	6.53	
Economic Services -				
Agriculture and Allied Activities	684.52	277.61**	962.13*	
Rural Development	100.71	226.58	327.29	
Special Areas Programmes	0.14**	13.37	13.51	
Irrigation and Flood control	172.20	41.87	214.07	
Energy	A	4.79	4.79	
Industry and Minerals	60.82*	217.95	278.77	
Transport	261.95	40.53	302.48	
Science, Technology and Environment	..	5.49	5.49	
General Economic Services	843.98	4.45	848.43	
Grants-in-aid and Contributions	212.47	..	212.47	
Total	8996.78	1913.79	10910.57	10910.57
II. Revenue surplus carried over to Section B				..
				10910.57

** Lower rounding.

* Higher rounding.

A Rs.15,575 only.

ABSTRACT OF RECEIPTS AND

SECTION B - OTHERS

Receipts			
III.	Opening Cash balance including Permanent Advances and Cash Balance Investment		526.83
IV.	Miscellaneous Capital receipts		..
V.	Recoveries of Loans and Advances-		406.56
	From Power Projects	73.61	
	From Government Servants	52.96	
	From Others	279.99	

DISBURSEMENTS FOR THE YEAR 1995-96 - contd.

(Rupees in crores)

Disbursements

III. Opening Overdraft from Reserve Bank of India ..

IV. Capital Outlay -

Sector	Non-Plan	Plan	Total	
General Services	10.01	22.45	32.46	
Social Services -				
Education, Sports, Art and Culture	1.26	53.95	55.21**	
Health and Family Welfare	1.69	18.43	20.12	
Water Supply, Sanitation, Housing and Urban Development	1.54	126.09	127.63	
Information and Broadcasting	0.48	10.02	10.50	
Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	..	12.03	12.03	
Social Welfare and Nutrition	..	0.69	0.69	
Others	..	3.21	3.21	
Economic Services -				
Agriculture and Allied Activities	(-)2.92[B]	54.05	51.13	
Rural Development	..	0.44	0.44	
Special Areas Programmes	..	7.21	7.21	
Irrigation and Flood Control	2.77	65.72	68.49	
Industry and Minerals	(-)10.42	37.66	27.24	
Transport	(-)0.60	172.00	171.40	
General Economic Services	..	3.18	3.18	
Total	3.81	587.13	590.94	590.94

V. Loans and Advances disbursed - 760.16

For Power Projects	235.66
To Government Servants	93.95
To Others	430.55

** Lower rounding

[B] Minus balance due to retirement of share capital by Societies

ABSTRACT OF RECEIPTS AND

SECTION B - OTHERS - concld.

	Receipts		
VI.	Revenue Surplus brought down		..
VII.	Public debt receipts -		1519.12
	Internal debt other than Ways and Means Advances and Overdraft	473.93	
	Ways and Means Advances	56.79	
	Loans and Advances from Central Government	988.40	
VIII.	Appropriation to Contingency Fund		..
IX.	Amount transferred to Contingency Fund		6.91
X.	Public Account receipts -		10490.63
	Small Savings and Provident Funds	1006.51	
	Reserve funds	195.99	
	Suspense and Miscellaneous	2540.04*	
	Remittances	2445.74	
	Deposits and Advances	4302.35*	
XI.	Closing Overdraft from Reserve Bank of India		..
	Total		12950.05

* Lower rounding.

DISBURSEMENTS FOR THE YEAR 1995-96 - concld.

(Rupees in crores)

	Disbursements		
VI	Revenue deficit brought down		311.32
VII.	Repayment of Public Debt -		326.55
	Internal debt other than Ways and Means Advances and Overdraft	20.27	
	Ways and Means Advances	56.79	
	Repayment of Loans and Advances to Central Government	249.49	
VIII.	Appropriation to Contingency Fund		
IX.	Expenditure from Contingency Fund		0.32
X.	Public Account disbursements -		10035.51
	Small Savings and Provident Funds	820.50	
	Reserve Funds	115.61	
	Suspense and Miscellaneous	2492.33	
	Remittances	2432.36	
	Deposits and Advances	4174.71	
XI.	Cash balance at end -		925.25
	Cash in Treasuries and Local Remittances	8.79	
	Deposits with Reserve Bank	50.00	61.64
	Departmental Cash Balance including Permanent Advances	2.85	
	Cash Balance Investment	863.61	
			12950.05

STATE

SOURCES AND APPLICATION

	Sources	
1.	Revenue receipts	10599.25
2.	Recoveries of Loans and Advances	406.56
3.	Increase in Public debt other than overdraft	1192.57
4.	Net receipts from Public Account -	
	Increase in Small Savings	186.01
	Increase in Deposits and Advances	127.64
	Increase in Reserve Funds	80.38
	Net effect of Suspense and Miscellaneous transactions	47.71
	Net effect of Remittance transactions	13.38
		12653.50

Explanatory Notes:

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts. A revised classification structure of Government accounts was introduced from 1 April 1987. However, grants for meeting the expenditure during 1995-96 on certain services and schemes were obtained by Government under heads of account which do not conform to the revised classification structure. While correct classification had been adopted in respect of loan heads of account in the Finance Accounts of 1995-96, the matter is under correspondence with Government in respect of heads under Revenue and Capital accounts and pending a decision in this regard, expenditure on these items stand classified under the budgeted heads.

2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Statement-I, indicates the position on cash basis, as opposed to accrual basis of commercial accounting. Consequently, items payable and receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.

3. Although a part of revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of State Government remains unaffected by end-use.

MENT- III

OF FUNDS FOR 1995-96

		(Rupees in crores)
	Application	
1.	Revenue expenditure	10910.57
2.	Lending for development and other purposes	760.16
3.	Capital expenditure	590.94
4.	Net effect of Contingency Fund transactions	(-)6.59
5.	Repayment of Overdraft (Net)	..
6.	Increase in cash balance	398.42
		12653.50

4. Under Government system of accounting, revenue surplus or deficit is closed annually to Government account with the result that cumulative position of such surplus or deficit was not ascertainable. The balancing figure of Rs.533.61 crores as on 31 March 1983 was, therefore, treated as cumulative surplus for drawing up the first statement of financial position for 1983-84 which took the place of a Balance Sheet.

5. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of State and others pending settlement, etc.

6. There was an unreconciled difference of Rs.89.73 lakhs (Net Credit) between the figures reflected in the accounts (Rs.4999.88 lakhs - Net Debit) and that intimated by the Reserve Bank of India (Rs.5089.61 lakhs - Net Credit) under "Deposits with Reserve Bank". A net difference to the extent of Rs.11.71 lakhs (credit) comprising a debit of Rs.21.32 lakhs and a credit of Rs.33.03 lakhs had been reconciled (July 1996) leaving a balance of Rs.78.02 lakhs (Net Credit) (Debit : Rs.134.52 lakhs and Credit : Rs.212.54 lakhs).

1.1.2 Based on these statements and other supporting data, the succeeding paragraphs in this chapter present an analysis of the management of the finance of the State Government during 1995-96 relating it to the position obtaining in the earlier four years.

1.2 Assets and liabilities of the State

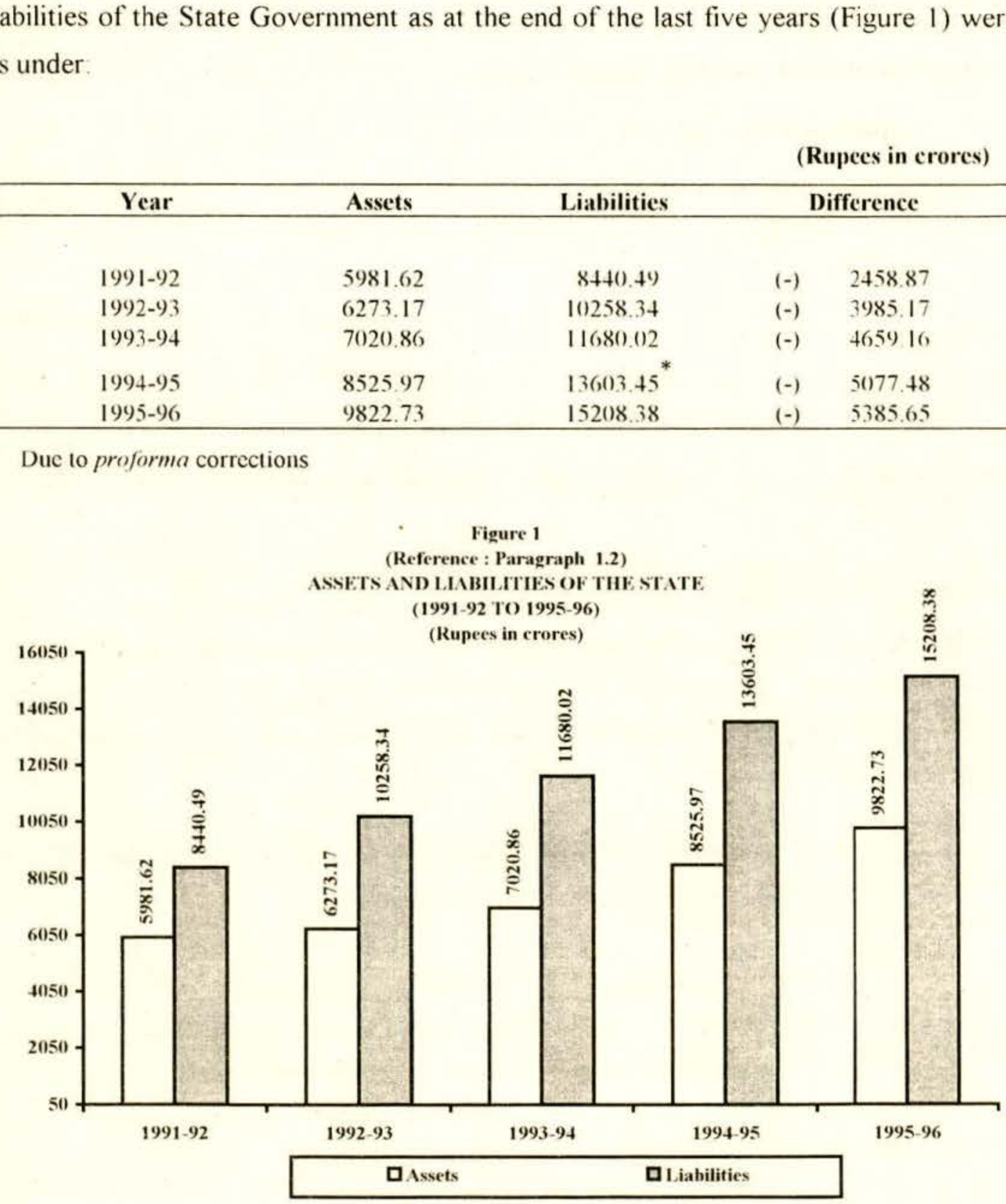
Assets comprising capital investments and loans advanced and total liabilities of the State Government as at the end of the last five years (Figure 1) were as under:

(Rupees in crores)

Year	Assets	Liabilities	Difference
1991-92	5981.62	8440.49	(-) 2458.87
1992-93	6273.17	10258.34	(-) 3985.17
1993-94	7020.86	11680.02	(-) 4659.16
1994-95	8525.97	13603.45*	(-) 5077.48
1995-96	9822.73	15208.38	(-) 5385.65

* Due to *proforma* corrections

Figure 1
(Reference : Paragraph 1.2)
ASSETS AND LIABILITIES OF THE STATE
(1991-92 TO 1995-96)
(Rupees in crores)



While assets had grown by 64 *per cent* during the five years, liabilities had grown by 80 *per cent*. The excess of liabilites over assets increased from Rs.2458.87 crores at the end of 1991-92 to Rs.5385.65 crores at the end of 1995-96. This was mainly due to continuous revenue deficit during the last five years.

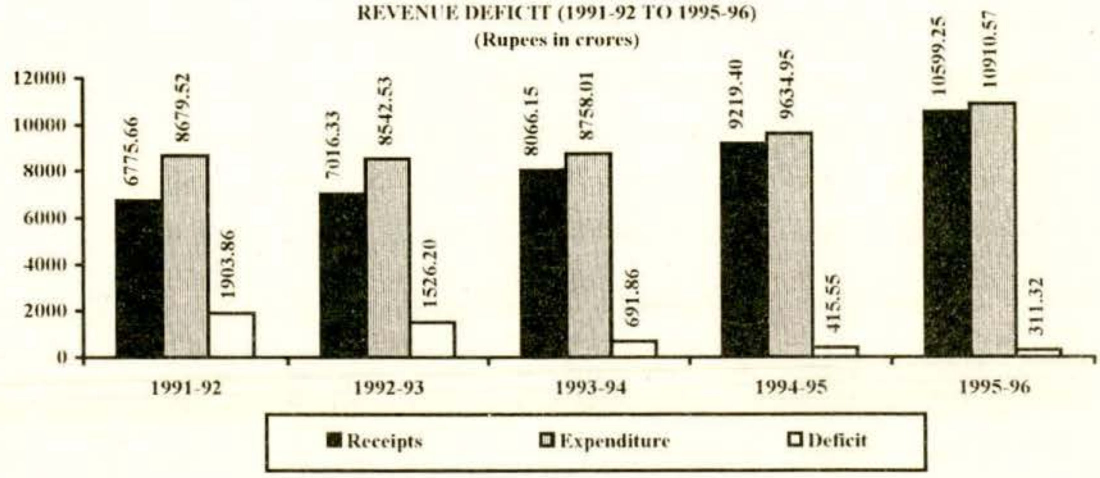
1.3 Revenue deficit

At the end of 1995-96, revenue receipts had grown by Rs.3823.59 crores over 1991-92 as against the growth of Rs.2231.05 crores in revenue expenditure during the period. Over the period of five years, revenue deficit decreased by Rs.1592.54 crores. The position is summarised (Figure 2) in the following table:

(Rupees in crores)

Year	Revenue			Percentage of increase over the previous year		Revenue deficit as a percentage of revenue expenditure
	Receipts	Expenditure	Deficit	Revenue receipts	Revenue expenditure	
1991-92	6775.66	8679.52	1903.86	33.17	53.94	21.93
1992-93	7016.33	8542.53	1526.20	3.55	(-)1.58	17.87
1993-94	8066.15	8758.01	691.86	14.96	2.52	7.90
1994-95	9219.40	9634.95	415.55	14.30	10.01	4.31
1995-96	10599.25	10910.57	311.32	14.97	13.24	2.85

Figure 2
(Reference:Paragraph 1.3)
GROWTH OF REVENUE RECEIPTS, REVENUE EXPENDITURE AND REVENUE DEFICIT (1991-92 TO 1995-96)
(Rupees in crores)



The revenue deficit as envisaged in the Budget estimates and the Revised estimates vis-a-vis the actuals are given below:

(Rupees in crores)

Year	Revenue deficit			Percentage of actual deficit to revenue receipts
	Budget esti-mates	Revised esti-mates	Actuals	
1991-92	902.49	650.05	1903.86	28.10
1992-93	808.73	1008.62	1526.20	21.75
1993-94	1310.98	1192.28	691.86	8.58
1994-95	1239.16	1051.72	415.55	4.51
1995-96	925.55	1168.62	311.32	2.94

During 1995-96, while the actual revenue receipts had increased by Rs.1614.18 crores (18 *per cent*) over Rs.8985.07 crores anticipated in the budget, the actual revenue expenditure had increased only by Rs.999.95 crores (10 *per cent*) over Rs.9910.62 crores anticipated expenditure resulting in the decrease in the revenue deficit by Rs.614.23 crores.

1.4 Revenue expenditure

1.4.1 The Plan expenditure under revenue during 1995-96 was Rs.1913.79 crores against the budget estimates of Rs.2086.20 crores (including supplementary) disclosing a shortfall of Rs.172.41 crores in expenditure. The Non-plan revenue expenditure during the year was Rs.8996.78 crores (Rs.7847.83 crores during the previous year) against the budget estimates of Rs.9238.47 crores (including supplementary) disclosing a decrease of Rs.241.69 crores in expenditure. The main reasons for the variations are given in Chapter II of this Report. Further details are available in the Appropriation Accounts of the State Government for 1995-96.

The revenue expenditure (both Plan and Non-Plan) during 1995-96 was Rs.10910.57 crores as against Rs.9634.95 crores during 1994-95. The detailed reasons for increase between the revenue expenditure incurred during 1994-95 and 1995-96 under different major heads of account are given in Statement No.1 of the Finance Accounts for 1995-96.

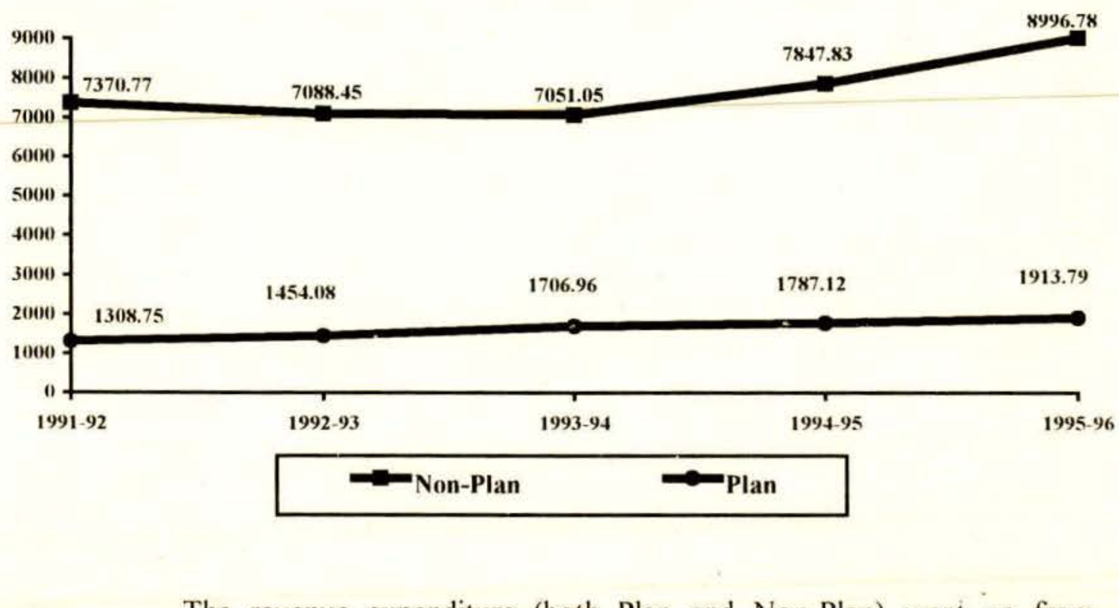
1.4.2 Growth of revenue expenditure

Growth of revenue expenditure (both Plan and Non-Plan) in the last five years (Figure 3) was as under:

(Rupees in crores)

Year	Revenue expenditure			Revenue surplus(+)/ deficit(-)	Percentage of deficit to Non-Plan expenditure
	Plan	Non-Plan	Total		
1991-92	1308.75	7370.77	8679.52	(-) 1903.86	25.83
1992-93	1454.08	7088.45	8542.53	(-) 1526.20	21.53
1993-94	1706.96	7051.05	8758.01	(-) 691.86	9.81
1994-95	1787.12	7847.83	9634.95	(-) 415.55	5.30
1995-96	1913.79	8996.78	10910.57	(-) 311.32	3.46

Figure 3
(Reference: Paragraph 1.4.2)
GROWTH OF PLAN AND NON-PLAN REVENUE EXPENDITURE
(1991-92 TO 1995-96)
(Rupees in crores)



The revenue expenditure (both Plan and Non-Plan) went up from Rs.8679.52 crores in 1991-92 to Rs.10910.57 crores in 1995-96 showing an increase of 26 *per cent*. Out of this increase (Rs.2231.05 crores), the non-plan expenditure accounted for 73 *per cent*.

1.4.3 Financial assistance to local bodies and others

The quantum of assistance by way of grants provided to different bodies other than Government companies and Tamil Nadu Electricity Board in the last three years is given below:

(Rupees in crores)

	Name of body	1993-94	1994-95	1995-96
I.	Universities and Educational Institutions	790.38	161.01	794.24
II.	Municipal Corporations and Municipalities	18.03	1.48	0.96
III.	Zilla Parishads and Panchayati Raj Institutions	26.72	22.91	190.74
IV.	Development agencies	6.70	24.90	39.60
V.	Hospitals and Charitable Institutions	0.02	1.76	1.20
VI.	Other institutions	164.92	779.87	156.12
	Total	1006.77	991.93	1182.86
	Percentage of growth over previous year	62.00	(-)1.47	19.25
	Revenue receipts (Tax and non-tax)	5505.26	6606.42	8009.65
	Percentage of assistance to Revenue receipts	18	15	15
	Revenue expenditure	8758.01	9634.95	10910.57
	Percentage of assistance to revenue expenditure	11	10	11

Thus, the total assistance at the end of 1995-96 had increased by 17 *per cent* over the level of 1993-94.

1.4.4 Interest payments

The quantum of interest payments in the last five years had been rising as indicated below:

(Rupees in crores)

Year	Interest payments	Opening balance of						Percentage of interest to total
		Internal debt	Small Savings, Provident Funds, etc.	Loans and advances from Central Government	Reserve funds bearing interest	Deposits bearing interest	Total	
1991-92	557.30	1580.20	766.23	3293.46	7.99	367.64	6015.52	9.26
1992-93	688.47	1811.17	918.27	3936.84	8.09	446.44	7120.81	9.67
1993-94	956.52	2009.64	1160.22	4682.14	8.19	552.03	8412.22	11.37
1994-95	1152.62	2213.35	1589.05	5523.12	8.33	467.83	9801.68	11.76
1995-96	1380.00	2561.37	1811.33	6800.81	8.46	462.50	11644.47	11.85

The Government receives interest on loans and advances given to Public Sector and other undertakings, Local bodies, Co-operative and other institutions, cultivators, etc. Besides, certain other receipts such as interest realised on investment of cash balances, interest from Departmental Commercial Undertakings are also received. When all these interest receipts were taken into account and compared with the interest payments, there was still net burden on revenue which increased from Rs.477.28 crores during 1992-93 to Rs.1037.17 crores during 1995-96 as detailed below:

(Rupees in crores)

Year	Interest payments	Interest receipts	Net burden on revenue
1991-92	557.30	770.67	(-) 213.37*
1992-93	688.47	211.19	477.28
1993-94	956.52	275.24	681.28
1994-95	1152.62	278.79	873.83
1995-96	1380.00	342.83	1037.17

* Increase in interest receipt during 1991-92 was due to adjustment of arrears of interest payable by Tamil Nadu Electricity Board for the period upto 31 March, 1990 against the subsidy payable by Government to the Board.

1.4.5 Non-plan revenue expenditure

The total non-plan revenue expenditure other than interest payments rose by 12 *per cent* during 1991-92 to 1995-96.

The sector-wise expenditure excluding interest payments was as under:

(Rupees in crores)

Sector	Non-Plan revenue expenditure		Percentage of increase
	1991-92	1995-96	
General Services	1157.01	2024.14	75
Social Services	2239.41	3255.85	45
Economic Services	3219.05	2124.32	(-)34*
Grants-in-aid and contributions	198.00	212.47	7
Total	6813.47	7616.78	

* The decrease in Economic Services as compared to 1991-92 was due to payment of Rs.1769.10 crores in 1991-92 towards arrears of subsidy payable to Tamil Nadu Electricity Board for the period 1978-79 to 1989-90.

Significant increases were noticed in the following categories as compared to non-plan expenditure incurred in 1991-92.

(i) under "Pensions and Miscellaneous General Services" (95 *per cent*) and under "Organs of State" (61 *per cent*) under General Services;

(ii) under "Health and Family Welfare" (64 *per cent*) and "Labour and Labour Welfare" (56 *per cent*) under Social Services; and

(iii) under "Irrigation and Flood Control" (76 *per cent*) and "Transport" (78 *per cent*) under Economic Services.

The figures of revenue receipts, other than the grants received from Central Government for implementation of plan schemes, and the non-plan revenue expenditure during 1991-92 to 1995-96 are indicated below:

(Rupees in crores)

Year	Revenue receipts other than plan grants	Non-Plan revenue expenditure	Excess of revenue receipts over expenditure
1991-92	6218.29	7370.77*	(-)1152.48
1992-93	6344.80	7088.45	(-) 743.65
1993-94	7218.06	7051.05	167.01
1994-95	8423.64	7847.83	575.81
1995-96	9942.19	8996.78	945.41

* Abnormal increase of expenditure was due to payment of arrears of subsidy (Rs.1769.10 lakhs) to Tamil Nadu Electricity Board.

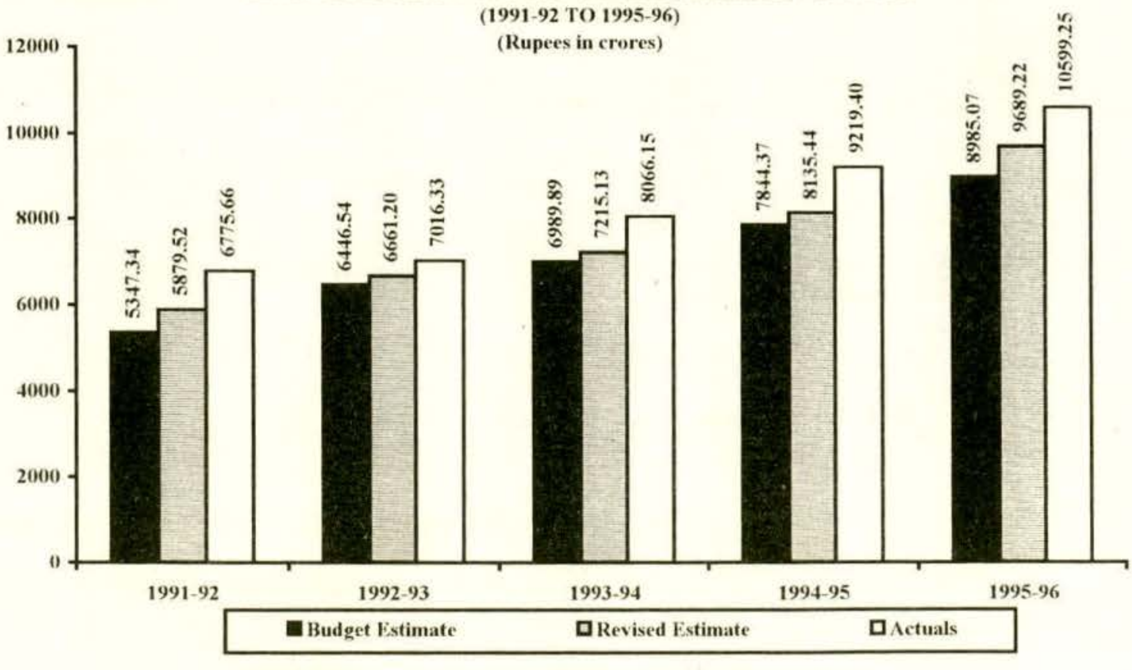
1.5 Revenue receipts

1.5.1 The budget estimates *vis-a-vis* the actual revenue receipts during the five years ending 1995-96 (Figure 4) are given below:

(Rupees in crores)

Year	Budget estimates	Revised estimates	Actuals	
			Amount	Percentage growth over the previous year
1991-92	5347.34	5879.52	6775.66	33
1992-93	6446.54	6661.20	7016.33	4
1993-94	6989.89	7215.13	8066.15	15
1994-95	7844.37	8135.44	9219.40	14
1995-96	8985.07	9689.22	10599.25	15

Figure 4
(Reference: Paragraph 1.5.1)
REVENUE RECEIPTS - BUDGET -REVISED ESTIMATES - ACTUALS
(1991-92 TO 1995-96)
(Rupees in crores)



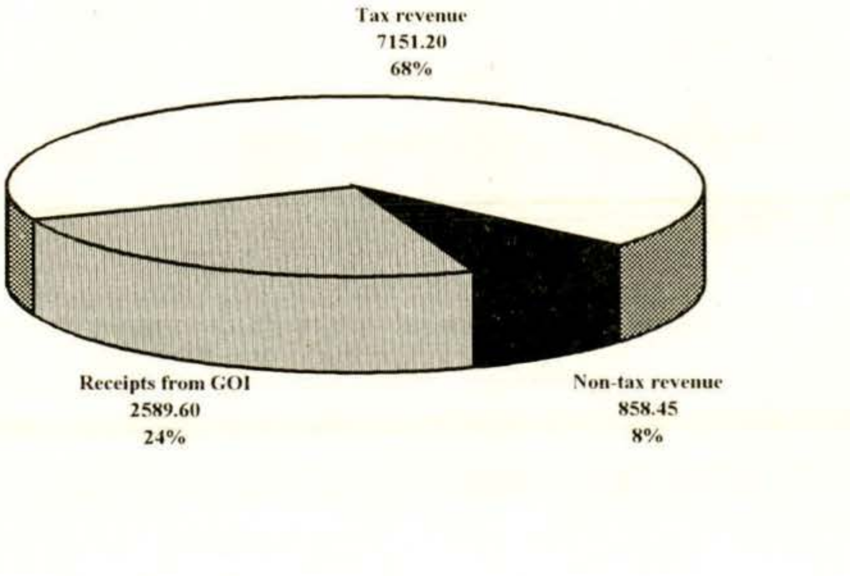
The position of revenue raised by the State and of the State's share of taxes and grants received from the Government of India (Figure 5) was as under:

(Rupees in crores)

	1991-92	1992-93	1993-94	1994-95	1995-96
I. Revenue raised by the State Government					
(a) Tax revenue	3734.11	4162.06	4801.37	5833.76	7151.20
(b) Non-tax revenue	1118.49	612.79	703.89	772.66	858.45
Total	4852.60	4774.85	5505.26	6606.42	8009.65
II. Receipts from Government of India					
(a) State's share of:					
(i) Income Tax, etc.	404.73	481.19	613.73	678.88	753.39
(ii) Union Excise Duties	784.74	938.49	938.88	1056.52	1052.20
(b) Grants-in-aid	733.59	821.80	1008.28	877.58	784.01
Total	1923.06	2241.48	2560.89	2612.98	2589.60
III. Total receipts of State Government (Revenue Account)	6775.66	7016.33	8066.15	9219.40	10599.25
IV. Percentage of revenue raised to total receipts	72*	68	68	72	76

* Abnormal increase in receipt was due to adjustment of arrears of interest and Electricity Duty (Rs.724.11 crores) payable by Tamil Nadu Electricity Board for the period upto 31 March, 1990 against the subsidy payable by Government to the Board.

Figure 5
(Reference:Paragraph 1.5.1)
REVENUE RECEIPTS - 1995-96
(Rupees in crores)



1.5.2 Tax revenue

The growth of tax revenue in the last five years was as indicated below

Year	Tax revenue (Rupees in crores)	Percentage growth over previous year
1991-92	3734.11	20
1992-93	4162.06	11
1993-94	4801.37	15
1994-95	5833.76	22
1995-96	7151.20	23

While the total revenue receipts of the Government increased by 4; 15; 14 and 15 *per cent* over the previous years during 1992-93, 1993-94, 1994-95 and 1995-96 respectively, the tax revenue grew at 11; 15; 22 and 23 *per cent* during these years.

The analysis of tax revenue raised by the State Government is given below:

(Rupees in crores)

		1991-92	1992-93	1993-94	1994-95	1995-96
1.	Agricultural Income tax	26.20 (1)	20.04 (1)	12.77	16.73	19.47
2.	Sales tax	2441.87 (65)	2743.12 (66)	3209.99 (67)	3913.84 (67)	4689.27 (66)
3.	State excise	483.12 (13)	564.86 (14)	568.82 (12)	614.64 (11)	934.66 (13)
4.	Taxes on vehicle	248.19 (6)	292.96 (7)	313.70 (7)	372.45 (6)	392.21 (6)
5.	Stamps and Registration Fees	296.46 (8)	291.82 (7)	383.69 (8)	506.69 (9)	613.01 (9)
6.	Land revenue	26.50 (1)	19.30	31.87 (1)	35.27 (1)	25.21
7.	Taxes on goods and passengers	26.40 (1)	43.62 (1)	71.88 (1)	110.03 (2)	161.99 (2)
8.	Other taxes	185.37 (5)	186.34 (4)	208.65 (4)	264.11 (4)	315.38 (4)
	Total	3734.11 (100)	4162.06 (100)	4801.37 (100)	5833.76 (100)	7151.20 (100)

(Percentage share of individual taxes on the total is given in brackets)

No new tax was levied during the year 1995-96. The items under which revenue receipts increased significantly over those of 1994-95 and the main reasons thereof are indicated in Statement No.1 of Finance Accounts for 1995-96.

1.5.3 Non-tax revenue

Growth of non-tax revenue in the last five years is indicated below:

Year	Non-tax revenue (Rupees in crores)	Percentage growth over previous year	Percentage of non-tax revenue to the total revenue raised by the State
1991-92	1118.49*	193.20	23
1992-93	612.79	(-) 45.21	13
1993-94	703.89	14.87	13
1994-95	772.66	9.77	12
1995-96	858.45	11.00	11

* Abnormal increase in revenue receipt was due to adjustment of arrears of interest and Electricity duty (Rs.724.11 crores) payable by Tamil Nadu Electricity Board for the period up to 31 March, 1990, against the subsidy payable by the Government to the Board.

1.5.4 Arrears of revenue

The position of arrears of revenue pending collection at the end of the financial year as against total revenue raised by the State Government during the period 1991-92 to 1995-96 is given below:

Year	Revenue raised (Rupees in crores)	Arrears of revenue at the end of the year		Percentage of arrears to total revenue raised	Percentage growth of revenue raised over previous year	Percentage growth of arrears over previous year
		Number of departments	Amount (Rupees in crores)			
1991-92	4852.60	21	757.84	16	38	46
1992-93	4774.85	19	1025.06	21	(-)2	35
1993-94	5505.26	18	1310.98	24	15	28
1994-95	6606.42	13	1714.46	26	20	31
1995-96	8009.65	13	2401.27	30	21	40

Of the total amount of arrears of revenue of Rs. 2401.27 crores in respect of 13 departments as of March 1996, Rs. 389.93 crores (16 *per cent*) were pending for more than 5 years. The increase in arrears in collection of Sales Tax (Rs.663.04 crores) mainly contributed to the increase in the arrears of revenue during 1995-96.

1.5.5 State's share of Income Tax, Union Excise Duties and Central Grants

The aggregate of State's share of Income Tax, Union Excise Duties and Grants-in-aid from Central Government during the year 1995-96 was Rs.2589.60 crores, representing 24 *per cent* of the total revenue receipts as well as of total revenue expenditure of the State Government respectively. The yearwise details for the five years (1991-92 to 1995-96) are given below:

(Rupees in crores)

Year	State's share of Income Tax and Union Excise Duties	Grants-in-aid	Total	Percentage of total to	
-				Revenue receipts	Revenue expenditure
1991-92	1189.47	733.59	1923.06	28	22
1992-93	1419.68	821.80	2241.48	32	26
1993-94	1552.61	1008.28	2560.89	32	29
1994-95	1735.40	877.58	2612.98	28	27
1995-96	1805.59	784.01	2589.60	24	24

1.6 Capital expenditure

The gross and net capital expenditure during 1995-96 was Rs.610.90 crores and Rs.590.94 crores against the budget estimates (including Supplementary) of Rs.710.29 crores and Rs.700.03 crores respectively, disclosing a net saving of Rs.109.09 crores.

The main reasons for saving in expenditure are given in Chapter II of this Report. Further details are available in the Appropriation Accounts for 1995-96.

(a) Investments and returns

(i) Investments in the shape of shares are made from out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The total investment of Government in shares, as per the details collected from various departments and accounts of Government companies, at the end of the year 1995-96 was Rs.770.08 crores, the investment during the year 1995-96 being Rs.45.37 crores. The sectorwise details of investments made and the number of concerns involved were as under:

Sector	Number of concerns	Amount invested	
		as on 31.03.1996	during 1995-96
		(Rupees in crores)	
(1) Statutory Corporations	1	3.80	..
(2) Government Companies	73	524.44	40.18
(3) Joint Stock Companies	6	1.93	..
(4) Co-operative Institutions	9514	239.91	5.19
Total	**9594**	**770.08**	**45.37**

The details of Government investments at the end of last five years and the total percentage of return realised during these years by way of dividend and interest as revealed by the respective Finance Accounts, were as under:

(Rupees in crores)

Year	Investment at the end of the year	Return	Percentage of return	Government borrowing rate *per cent*, from open market
1991-92	640.44	13.16	2.05	11.50 and 12.00
1992-93	689.82	17.69	2.56	13.00
1993-94	757.22	14.41	1.90	13.50
1994-95	727.58*	7.86	1.08*	12.50
1995-96	770.08	28.38	3.69	14.00

* Differs from the figures furnished in the last year report due to adoption of revised figures communicated by the departments.

The return on Government investments had been insignificant and far below the rate at which the Government was borrowing from the open market affecting adversely the financial position of the State.

The accounts rendered by the Government companies also disclosed that 45 of them, in which Government had invested Rs.325.40 crores as on 31 March, 1996, were running under loss and the accumulated loss was Rs.581.52 crores.

(b) Financial results of irrigation works

The financial results of 5 major and 39 medium irrigation projects with a total capital outlay of Rs.1221.66 crores at the end of March 1995 showed that revenue realised from these schemes during 1994-95 (Rs.2.08 crores) was only 0.17 *per cent* of the capital outlay and these were not sufficient even to cover the direct working expenses (Rs.21.64 crores). After meeting the working and maintenance expenses and interest charges (Rs.70.38 crores), the schemes suffered a net loss of Rs.68.30 crores. The loss was substantial (Rs.46.90 crores) in all the major irrigation projects.

1.7 Public debt, etc.

1.7.1 Under Article 293(1) of the Constitution of India, a State may borrow within the territory of India, upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by the Act of the

Legislature of the State. No law had been passed by the Tamil Nadu Legislature laying down such a limit.

Public debt of Government of Tamil Nadu consists of internal debt and loans and advances from Central Government. Internal debt comprises long term loans raised in the open market, loans received from Life Insurance Corporation of India, General Insurance Corporation of India, National Bank for Agriculture and Rural Development and other institutions to finance projects, schemes etc., Ways and Means advances from Reserve Bank of India and other bonds issued by the State Government. Besides, the Government had other liabilities on account of funds raised through Small Savings, Provident Funds, etc.

The details of the total liabilities of the State Government as at the end of the last five years are given below:

(Rupees in crores)

Year	**Internal debt**	**Loans and advances from Central Government**	**Total Public debt**	**Other liabilities**	**Total liabilities**
1991-92	1811.17	3936.84	5748.01	2407.21	8155.22
1992-93	2009.65	4682.14	6691.79	3326.37	10018.16
1993-94	2213.35	5523.12	7736.47	3688.30	11424.77
1994-95	2561.37	6800.81	9362.18	3986.13	13348.31
1995-96	3015.02	7539.72	10554.74	4382.51	14937.25

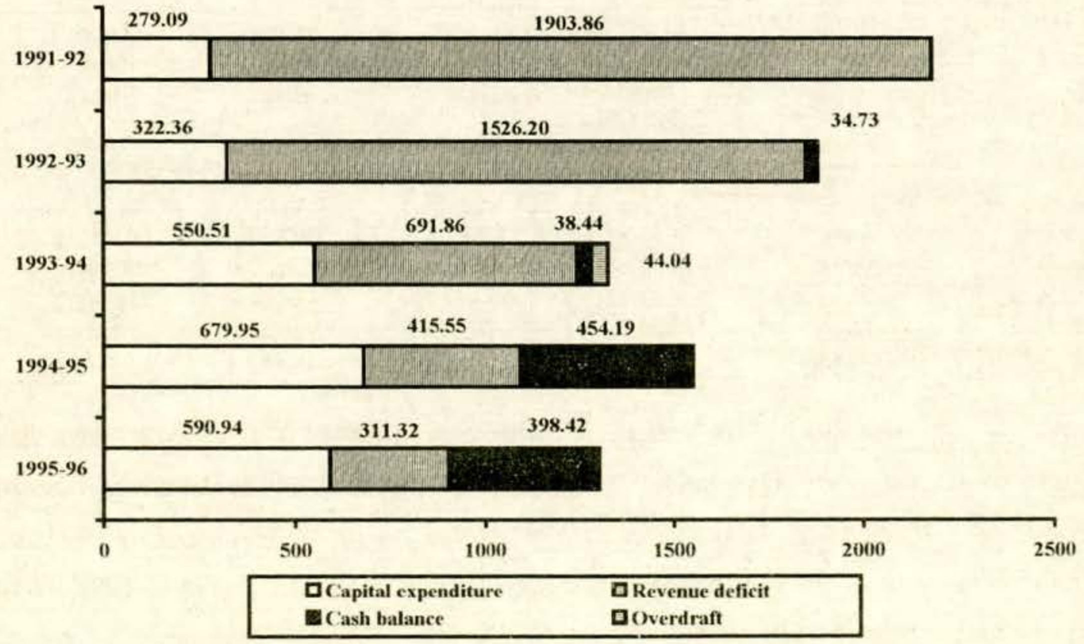
During the five year period, the total liabilities of the Government had grown by 83 *per cent*. The public debt of the Government registered an increase of 84 *per cent* from Rs.5748.01 crores in 1991-92 to Rs.10554.74 crores in 1995-96. The internal debt of the Government increased from Rs.1811.17 crores in 1991-92 to Rs.3015.02 crores in 1995-96 (66 *per cent*). During 1995-96, Government borrowed Rs.403.42 crores in the open market at interest rate of 14 *per cent* per annum repayable in the year 2005.

1.7.2 Application of Public debt, etc.

(a) The net available funds on account of net addition to public debt, etc., net loans and advances recovered and net effect of adjustments under Contingency Fund, Reserve Funds, Remittances, etc., were Rs.1300.68 crores. Of this, Rs.590.94 crores were utilised for meeting capital expenditure, Rs.398.42 crores for cash balance increase and the balance to meet the revenue deficit of Rs.311.32 crores.

The application of public debt, etc., during the last five years is indicated in Figure 6.

Figure 6
(Reference Paragraph 1.7.2)
APPLICATION OF PUBLIC DEBT, ETC.,
(1991-92 TO 1995-96)
(Rupees in crores)



The percentage of utilisation of net additions to public debt, etc., for meeting the revenue deficit decreased from 87 during 1991-92 to 24 during 1995-96.

(b) The borrowed funds (against the security of Consolidated Fund of the State) of the Government constituted substantial part of the Consolidated Funds of the State. The percentage of Public debt receipts during 1991-96 constituted 12 to 21 *per cent* of Consolidated Fund as indicated below:

(Rupees in crores)

Year	Total consolidated fund receipts	Public debt receipts	Percentage of Public debt receipts to consolidated fund
1991-92	9204.93	1134.11	12.32
1992-93	9808.27	2086.52	21.27
1993-94	10193.86	1791.01	17.57
1994-95	11814.15	2121.84	17.96
1995-96	12524.93	1519.12	12.13

1.7.3 Ways and Means Advances and Overdraft

Under an agreement with the Reserve Bank of India, the State Government has to maintain with the Bank a minimum daily cash balance of Rs.110 lakhs. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking Ways and Means Advances/overdraft from the Bank. In addition, special ways and means advances are also made by the Bank whenever necessary.

The extent to which the Government maintained the minimum balance with the Bank during the period 1991-92 to 1995-96 is given below:

		1991-92	1992-93	1993-94	1994-95	1995-96
(i)	Number of days on which minimum balance was maintained					
	(a) without obtaining any advance	137	257	308	347	364
	(b) by obtaining ordinary ways and means advances	163	88	51	17	2
	(c) by obtaining special ways and means advances	Nil	Nil	Nil	1	Nil
(ii)	Number of days on which minimum balance was not maintained even after availing ways and means advances	3	Nil	Nil	Nil	Nil
(iii)	Number of days on which overdraft was taken	63	20	6	Nil	Nil

The position of ways and means advances and overdraft taken by the State Government and interest paid thereon during 1991-92 to 1995-96 is detailed below:

(Rupees in crores)

		1991-92	1992-93	1993-94	1994-95	1995-96
(A)	Ways and means advances:					
(i)	Advances taken during the year (Gross)	1134.17	789.61	352.66	217.29	56.79
(ii)	Advances outstanding at the end of the year	83.60	83.60	35.21	Nil	Nil
(iii)	Interest paid	2.80	2.29	0.72	0.21	0.08
(b)	Overdraft:					
(i)	Overdraft taken during the year (Gross)	798.65	183.05	143.91	Nil	Nil
(ii)	Overdraft outstanding at the end of the year	119.59	44.04	Nil	Nil	Nil
(iii)	Interest paid	1.00	0.13	0.21	Nil	Nil

1.7.4 Debt service

(a) The details of debt servicing of internal debt for the years 1991-92 to 1994-95 revealed that 70 to 93 *per cent* of the public debt receipts were applied for repayment of principal and interest. During 1995-96, the repayments of principal and interest exceeded the debt receipts by Rs.187.43 crores. Interest obligations alone contributed 91 per cent of the debt receipts during the year.

(Rupees in crores)

Year	Borrowings during the year	Repayments during the year	Interest paid	Total payments	Percentage of total payments to borrowings
1991-92	1134.11	240.29	557.30	797.59	70
1992-93	2086.52	1067.19	688.47	1755.66	84
1993-94	1791.01	702.29	956.52	1658.81	93
1994-95	2121.84	496.13	1152.62	1648.75	78
1995-96	1519.12	326.55	1380.00	1706.55	112

(b) State Government had not made any amortisation arrangements for loans taken from Government of India. However, in respect of open market loans, annual contribution from revenue was being made to a sinking fund for amortisation. The balance in the sinking fund as at the end of 1995-96 was Rs.450.75 crores, out of which Rs.46.07 crores were invested in securities.

The actual discharge of internal debt service obligation other than ways and means advances/overdraft was Rs.335.04 crores during 1995-96 (Principal: Rs.20.27 crores and interest: Rs.314.77 crores) compared to Rs.298.50 crores in 1994-95 (Principal: Rs.19.03 crores and interest: Rs.279.47 crores).

The outflow of funds on account of interest payments (gross) had been gradually rising, with the interest payment in the year 1995-96 being 148 *per cent* more than the level of outflow in the year 1991-92. The position is summarised in the following table:

(Rupees in crores)

Year	Revenue expen-diture	Interest payment	Interest payment as a percentage of rev-enue expenditure
1991-92	8679.52	557.30	6.4
1992-93	8542.53	688.47	8.1
1993-94	8758.01	956.52	10.9
1994-95	9634.95	1152.62	12.0
1995-96	10910.57	1380.00	12.7

The outflow of funds for payment of interest was between 6.4 and 12.7 *per cent* of the revenue expenditure during the period.

The repayment of Government of India loans and payment of interest thereon by the State Government during the last five years were as under.

(Rupees in crores)

Year	Repayments			Loans received during the year	Percentage of repay-ment to loans re-ceived
	Principal	Interest	Total		
1991-92	216.14	313.80	529.94	859.52	62
1992-93	228.97	392.43	621.40	974.27	64
1993-94	246.78	496.02	742.80	1087.76	68
1994-95	224.60	613.90	838.50	1502.29	56
1995-96	249.49	787.55	1037.04	988.40	105

The repayment of Central loans and accrued interest thereon worked out to 62 to 105 *per cent* of the loans received from the Central Government during the period 1991-92 to 1995-96.

1.8 Loans and Advances by the State Government

1.8.1 The State Government have been advancing loans to Government companies, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. A sum of Rs.3795.68 crores, disbursed as loans and advances by the Government was outstanding as on 31 March 1996. The position of disbursement of such loans and recovery thereof for the five years from 1991-92 to 1995-96 is given below:

(Rupees in crores)

	1991-92	1992-93	1993-94	1994-95	1995-96
Opening balance	3908.53	3025.50	2925.99	3041.17	3442.08
Amount advanced during the year	412.13	605.92	451.88	873.82	760.16
Amount repaid during the year	1295.16	705.43	336.70	472.91	406.56
Closing balance	3025.50	2925.99	3041.17	3442.08	3795.68
Net addition	(-)883.03	(-) 99.51	115.18	400.91	353.60
Interest received and credited to Revenue	708.90	137.46	186.15	167.72	153.11

The net loans and advances disbursed during 1993-94; 1994-95 and 1995-96 constituted 11; 25 *and 30 per cent* respectively of the net receipts from the long term borrowings of the State under 'Public Debt'.

1.8.2 Recovery of loans

Out of loans advanced to Municipalities, Panchayat Union Councils, Town Panchayats and Village Panchayats, the detailed accounts of which are kept in the office of the Principal Accountant General (Accounts and Entitlements), recovery of Rs.10.74 crores (overdue instalments of Principal: Rs.2.84 crores and interest: Rs.7.90 crores) was in arrears as on 31 March, 1996.

Details of loans and interest thereon, outstanding as on 31 March, 1996, in respect of loans, the detailed accounts of which were maintained by the departmental officers, have not been furnished to the Principal Accountant General (Accounts and Entitlements) by 68 Heads of Departments.

1.9 Guarantees given by the State Government

Guarantees given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the Statutory Corporations, Government companies and Co-operative institutions etc., and payment of interest and minimum dividend by them constitute contingent liability of the State.

No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. The amount of guarantees for which Government have entered into agreement and sums guaranteed outstanding as at the end of each year during 1992-96 were as under:

(Rupees in crores)

As on 31 March	Amount guaranteed	Amount out-standing
1992	4811.32	2895.28
1993	5509.70	3205.04
1994	6303.23	3603.86
1995	3187.61	2128.37
1996	7134.82	3559.29*

* Consists of Rs.3455.24 crores towards principal and Rs.104.05 crores towards interest.

An amount of Rs.0.42 crore was received as guarantee commission during 1995-96 and the amount outstanding for recovery of guarantee commission as on 31 March, 1996 was Rs.2.25 crores, from 8 Government companies.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 General

The summarised position of actual expenditure during 1995-96 against grants/appropriations is as follows:

(Rupees in crores)

		Original grant/ appro-priation	Supple-mentary grant/ appro-priation	Total	Actual expen-diture	Variation Saving(-) Excess(+)	
I.	Revenue-						
	Voted	88,90.54	13,05.68	1,01,96.22	97,31.29	(-)	4,64.93
	Charged	*13,10.00*	*1,08.37*	*14,18.37*	*13,97.29*	*(-)*	*21.08*
II.	Capital-						
	Voted	5,45.39	1,64.25	7,09.64	6,10.57	(-)	99.07
	Charged	*0.02*	*0.63*	*0.65*	*0.33*	*(-)*	*0.32*
III.	Public Debt -						
	Charged	*17,72.56*	..	*17,72.56*	*3,26.55*	*(-)*	*14,46.01*
IV.	Loans and Advances-						
	Voted	7,69.61	35.13	8,04.74	7,60.16	(-)	44.58
V.	Contingency Fund-	..	..	..	..		..
	Grand Total	**1,32,88.12**	**16,14.06**	**1,49,02.18**	**1,28,26.19**	**(-)**	**20,75.99**

2.1.1 Actual expenditure figures detailed above are gross expenditure figures without taking into account the adjustment of recoveries in reduction of expenditure except in respect of grant numbers 35; 36; 38 and 54. Hence, these figures differ from expenditure figures given in Chapter I.

2.1.2 The gross expenditure figures include Rs.182.28 crores transferred to Personal Deposit accounts and amount kept outside the Government account to avoid lapsing of budgetary provision as discussed in paragraph 2.4. below.

2.2 Results of appropriation audit

The following results emerge broadly from the audit of appropriation accounts.

2.2.1 Supplementary provision obtained during the year constituted 12 *per cent* of the original provision.

2.2.2 Supplementary provision of Rs.212.02 crores obtained in 13 grants (Rs.207.13 crores) and 6 appropriations (Rs.4.89 crores) (Appendix I) during March 1996 proved unnecessary in view of the final saving in each grant/appropriation being more than the supplementary provision obtained in March 1996. In 6 grants (Appendix II), supplementary provision obtained during the year proved insufficient by more than Rs.50 lakhs each (ranging from Rs.63.14 lakhs to Rs.4276.41 lakhs) leaving an aggregate of uncovered excess expenditure of Rs.107.94 crores.

2.2.3 The overall saving was Rs.2188.50 crores in 53 grants (Rs.720.92 crores) and 48 appropriations (Rs.1467.58 crores). The overall excess (Appendix III), on the other hand, was Rs.112.51 crores in 8 grants (Rs.112.34 crores) and 11 appropriations (Rs.0.17 crore) requiring regularisation under Article 205 of the Constitution.

2.2.4 In 17 grants and 4 appropriations (Appendix IV), the expenditure fell short by more than Rs.1 crore each and also by 10 *per cent* or more of the total provision.

2.2.5 Unnecessary supplementary grants

In 11 grants, original provision of Rs.4045 crores was augmented by supplementary provision of Rs.286.28 crores; but the expenditure did not come up even to the original provision in any of these grants.

(Rupees in crores)

Grant number	Original provision	Supplementary provision	Expenditure	Saving
1	11.36	0.12*	10.29	1.19
3	12.76	0.95	11.22	2.49
4	64.05	16.85	59.99	20.91
8	54.69	31.04	36.42	49.31
10	6.45*	0.21*	6.44	0.22
17	2233.17	113.44	2204.45	142.16
29	507.64	41.73	500.06	49.31
32	52.37	9.18	46.04	15.51
48	255.31	31.27	227.41	59.17
55	77.59	6.36	63.51	20.44
61	769.61	35.13	760.16	44.58
Total	4045.00	286.28	3925.99	405.29

* Higher/lower rounding for agreement with final saving

Similarly, in the charged appropriation, under grant numbers 12, 17, 30 and 41, supplementary appropriations amounting to Rs.4.89 crores were resorted to (March 1996), whereas the expenditure was Rs.49.59 lakhs only against the original provision of Rs.97.23 lakhs resulting in a saving of Rs.5.36 crores.

In 3[@] other appropriations, though the original provision of Rs.0.03 lakh was augmented by supplementary provision of Rs.0.30 lakh, no expenditure was incurred resulting in saving of the entire provision of Rs.0.33 lakh.

2.2.6 Persistent savings

Persistent savings of 5 *per cent* and above during 1993-94 to 1995-96 were noticed in 9 grants/6 appropriations (Appendix V). Under grant number 54 - Capital outlay on irrigation saving occurred in all the preceding 17 years, the percentage of saving ranging from 10 to 45.

2.2.7 Substantial surrenders

Substantial surrenders (more than 50 *per cent* of the provision) were made in respect of 103 schemes on account of either non-implementation or slow implementation of the schemes. Out of the total provision amounting to Rs.2279.44

[@] Appropriations under grant numbers 22; 23 and 34.

crores, Rs.2100.58 crores (92 *per cent*) were surrendered. Results of review conducted by Audit in respect of a few of these cases are given in Appendix VI

2.2.8 Budgetary procedure and control over expenditure

(a) Inadequate control over expenditure

The Appropriation Acts specify the sum authorised by the Legislature under each grant for meeting expenditure during a financial year; the final modified grants authorised by Government are the sums to be spent up to 31 March with reference to the proposals of the Chief Controlling Officers (CCOs) based on actuals and anticipated expenditure and the balance which is resumed to the Consolidated Fund is not available to CCOs for meeting any further expenditure. Such resumptions of funds under the grants were persistent and significant not only during 1995-96 but also in earlier years. Further, there had also been significant variations (excess or savings) between the final modified grant/appropriation and actual expenditure. Overall position for the 5 years from 1991-92 to 1995-96 is indicated below:

(Rupees in crores)

Year (1)	Sums authorised by the Legislature (2)	Amount resumed (Surrender) (3)	Final Modified Grant/ Appropriation (4)	Actual expenditure (5)	Variation between (4) and (5) Excess(+)/Saving(-) (6)
1991-92	12109.67	167.84	11941.83	11690.68	(-) 251.15
1992-93	11711.53	542.55	11168.98	10956.34	(-) 212.64
1993-94	12584.23	1613.22	10971.01	10860.06	(-) 110.95
1994-95	13422.16	1721.78	11700.38	11844.28	(+) 143.90
1995-96	14902.18	1990.74	12911.44	12826.19	(-) 85.25

Resumption of more than Rs.150 crores every year indicated over-estimation of expenditure and persistent significant variations between the final modified grant and actual expenditure. It showed that estimates of expenditure prepared even in March, the last month of the financial year, were defective and the control over expenditure was inadequate.

(b) Inadequate/excess final modified grant

Rupees 1990.74 crores were surrendered out of the grants and appropriations authorised by the Legislature for expenditure during 1995-96 and resumed to Consolidated Fund on 31 March, 1996. However, in 7 grants (Numbers 30; 31; 34; 38; 41, 45 and 56) and 1 appropriation (Number 11), though Rs.13.28 crores were surrendered, Rs.121.41 crores had been spent in excess of the final modified grant, indicating utilisation of the amounts already resumed and also leading to an excess of Rs.108.13 crores over the amount authorised by the Legislature, requiring regularisation under Article 205 of the Constitution of India.

In 17 other grants[a] and 3 appropriations (Numbers 13, 31 and 38) against Rs.173.81 crores surrendered in March 1996, the saving was only Rs.128.67 crores, resulting in excess expenditure over the final modified grant/ appropriation.

In 35 other grants[b] and 11 appropriations (Numbers 4, Debt Charges; 9; 10; 12; 17, 30; 39, 46, 55 and Public Debt - Repayment) against Rs.1803.62 crores surrendered in March 1996, the saving was Rs.2058.99 crores, indicating that the department had not utilised Rs.255.37 crores during 1995-96 out of the final modified grant/appropriation.

In 1 voted grant (Number 26) and 15 appropriations (Numbers 3; 14; 20, 21; 24; 29; 33; 41; 44, 45; 49; 51; 54; 57 and 60), though there were savings of Rs.0.81 crore, no amount was resumed during March 1996 indicating lack of control over expenditure.

(c) Unexplained reappropriations

A scrutiny of the reappropriation orders issued by the Finance Department revealed that in respect of 4,388 out of 11,006 items (40 *per cent*) at the first reappropriation stage and in respect of 8,774 out of 10,413 items (84 *per cent*) at the second reappropriation stage, reasons for additional provision/withdrawal of provision given were vague. Even in cases where specific reasons were mentioned, inaccurate reasons were given.

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a. Grant numbers 2; 8; 9; 10; 11; 12; 13; 14; 15; 16; 18; 19; 21; 44; 47; 51 and 58.

b. Grant numbers 1, 3; 4; 5; 6; 7; 17; 20; 22; 23; 24; 25; 27; 28, 29; 32; 33; 35; 36; 37; 39; 42; 43, 46; 48; 49; 50; 52; 53; 54; 55; 57; 59; 60 and 61.

(d) Defective/inaccurate budgeting

According to Rules, the estimates of expenditure prepared by the departments are those for the expenditure expected to be incurred in the ensuing financial year with reference to the existing sanction and include arrears for the past financial years. The estimates should neither be inflated nor under-pitched but be as accurate as possible. Failure to observe these principles had resulted in large excesses or savings in the following cases.

(Rupees in lakhs)

Serial number	Grant/head of account	Provision (Original and Supplemental)	Expenditure	Saving (-)/ Excess (+)
(1)	(2)	(3)	(4)	(5)
1.	Grant 20 - 2402.102.III.SS National Watershed Development Project for Rainfed Areas	1029.60	729.94	(-)299.66

The saving was due to non-purchase of machinery and equipment (Rs.197 lakhs) and non-payment of subsidies. The department's proposal for partial utilisation (Rs.50 lakhs) of the provision for establishing 15 meteorological laboratories was declined by Government in June 1995. Further, the department did not submit any proposal for utilising the remaining portion of the provision.

2.	Grant 20 - 2551.60.101.III.SB Schemes for the development of plantation crops under Hill Area Development Programme	25.48	122.99	(+)97.51

Despite availability of the separate head of account namely, '2551.60.101.III.SF' for accommodating all working expenses under the scheme, the expenditure was debited to this head and the defective procedure resulted in the excess of Rs.97.51 lakhs under this head and saving of Rs.62.06 lakhs under the working expenses head.

(1)	(2)	(3)	(4)	(5)
3.	Grant 20 - 2415.01.004.II.JH Preparation and distribution of Micro-Nutrient mixture of Groundnut	244.47	154.66	(-) 89.81

Provision was made in the budget based on incorrect fixation of target for production of micro-nutrient mixture during 1995-96 without taking into account unsold stock of the previous year. This resulted in saving of Rs.89.81 lakhs.

4 .	Grant 49 - 2515.001.I.AJ District Town Panchayat Offices	103.85	357.63	(+)253.78

Expenditure of Rs.252.77 lakhs relating to the head of account '2215.102.II.KD- Assistance to Town Panchayats for provision of amenities' was wrongly debited to this head. Due to department's failure to propose transfer entries in time before the closure of accounts, the misclassification could not be rectified.

5.	Grant 58 - 4551.60.101.III.SC Forestry programme including communication under Hill Area Development Programme	244.50	..	(-)244.50

Based on department's proposal, the provision was made under this head of account. Government in March 1996 had to shift the provision to the head '4551.60.106.III.SB' under which only an expenditure of Rs.2.87 lakhs was incurred.

6.	Grant 58 - 4551.01.101.III.SN Afforestation for Eco-Development, Eco-Restoration, Eco-Preservation, Conservation of Nature Reserves and Monitoring of forestry schemes in Tirunelveli, Madurai, Coimbatore and Kanyakumari districts under Western Ghat development programme	154.75	..	(-)154.75

Provision was made under this head based on department's proposal but the entire provision was withdrawn in March 1996 and provided under the head '4551.01.106.III.SN' through reappropriation. However, expenditure of Rs.180.32 lakhs was incurred under the latter head.

(e) Centrally sponsored schemes on which no expenditure was incurred

Analysis of the budget provision *vis-a-vis* expenditure incurred in respect of Centrally sponsored schemes revealed that no expenditure was incurred on 33 schemes (Budget provision : Rs.29.20 crores) due to non-implementation of the schemes during the year.

2.3 Expenditure on New Service/New Instrument of Service

(a) According to Article 205 of the Constitution, no expenditure should be incurred on service not contemplated in the Budget except after getting vote of the Legislature or by an advance from Contingency Fund.

The Public Accounts Committee had also recommended to Government various criteria and limits for determining items of New Service/New Instrument of Service.

During 1995-96, expenditure totalling Rs.51.33 crores was incurred on 63 schemes (Appendix VII) which had to be treated as New Service/New Instrument of Service as the prescribed procedure for drawal had not been followed.

(b) In 14 other schemes (Appendix VIII) receiving assistance from Government of India, autonomous bodies, etc., and in respect of expenditure on natural calamities though token provision was made in Budget, the expenditure of Rs.60.91 crores incurred during the year was not included in the supplementary estimates for regularisation by the Legislature as required.

2.4 Irregular drawal of funds

Under Financial Rules, all appropriations lapse at the close of the financial year. No attempt should be made on any account to reserve or appropriate by transfer to a deposit or any other head or draw from the treasury and keep in cash, any portion of an appropriation remaining unexpended during the year in order to prevent it from lapsing and use it for expenditure after the end of the year. Further, except in the cases of discharge of Government liabilities arising out of special enactments, Personal Deposit Accounts (PD Accounts) created by debit to the

Consolidated Fund should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund.

Mention was made in Paragraph 2.4. of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995 No.3 (Civil) regarding retention of huge balances under "8443-Civil Deposits". Information regarding the system of monitoring the actual expenditure out of such deposits for the purposes approved by Legislature was sought for from Government in Finance Department. No reply was received.

Review of the transactions relating to Civil Deposits under "8443 - Civil Deposits" for 1995-96 revealed that during 1995-96, Rs.1929.99 crores was credited, by transfer, to the PD Accounts of implementing agencies by debiting various Revenue, Capital and Loan heads of accounts under the Consolidated Fund. Of the amount so credited, Rs.182.28 crores (Appendix IX) remained in balance at the close of the financial year 1995-96 without being written back to Consolidated Fund as stipulated in the Financial Rules. This included Rs.83.67 crores earmarked for implementation of programmes during 1995-96. Out of the earmarked amount of Rs.83.67 crores, Rs.61.53 crores was drawn and credited to the Deposit Account by departments during last week of March 1996. Further, even out of the drawings made prior to closure of Accounts from the PD Accounts, Rs.12.72 crores (Appendix X) were not utilised for the intended programmes as of November 1996. The unspent balances included programmes for which Central assistance of Rs.6.35 crores had been received. (Serial numbers 3; 16 and 17 to 20)

As the drawal, pertaining to the unspent balances had been shown as expenditure against the Budget provisions for purposes approved by Legislature, the Appropriation Accounts of the Government were distorted.

Certain specific instances of irregular credit to 8443 - Civil Deposits are detailed below.

(i) The unspent balance in the PD Account, of Tamil Nadu Energy Development Agency (TEDA) included Rs.1.34 crores released on 26 March, 1996 as grant by State Government towards the share of TEDA for establishment of 1.8 MW Wind Farm (Project) at Edayarpalayam in Coimbatore District. The Project was approved by the Ministry of Non-Conventional Energy Sources(MNCES), Government of India in October 1994 with 60 *per cent* Central assistance. The validity of administrative sanction which lapsed in October 1995 was not renewed by the MNCES. Further, Tamil Nadu Electricity Board, which was to implement the Project, had intimated TEDA on 21 March, 1996 that the Project had been dropped. These developments were not brought to the notice of Government at the time of sanctioning of drawal of grant. The failure of TEDA had resulted in avoidable drawal of funds to the extent of Rs.1.34 crores.

(ii) According to the guidelines issued by Government of India for the Mega City Scheme (Project), the nodal agency was to maintain a separate bank account in a commercial bank for accounting of receipts and expenditure related to the Project. While releasing the assistance for 1995-96 also, Government of India stipulated that the State's share should be adjusted to the Mega City Scheme Fund in cash. However, contrary to the stipulation, the State Government's share as well as Government of India assistance aggregating Rs.28.43 crores released during 1995-96 was credited to the PD Account of the nodal agency, as per specific orders of Government. Out of the total assistance of Rs.69.63 crores released for the years 1993-94; 1994-95 and 1995-96 and credited to the PD Account, only Rs.6.50 crores had been spent on the Project (November 1996).

(iii) Out of the Government of India allocation of Rs.19.62 crores towards Special Central Assistance for Hill Area Development Programme (HADP), sanctions were issued by Government for Rs.17.62 crores during 1995-96. The entire amount was drawn by the Project Officer, HADP, Udhagamandalam, charging the service heads under the Consolidated Fund and kept in Deposit Accounts in nationalised banks (Rs.15.24 crores) and PD Account, in Huzur Treasury, Udhagamandalam (Rs.2.38 crores). Though certificate for utilisation of the entire Central assistance was furnished to Union Planning Commission by the Project Officer, Rs.15.30 crores remained unspent at the close of the year. The Project Officer, being a departmental official, had failed to observe the financial rules to restrict the drawals to the actual requirement for the year for the Programme.

(iv) Due to non-finalisation of tenders in respect of common equipment and the special equipment for administration of "Liquid Cyclosporin" required for use in Medical Institutions under the control of Director of Medical Education, the unspent provision aggregating Rs.1.19 crores under the sub-heads "JJ" and "CP" under the head '2210.01.110'. was drawn on 26 and 29 March, 1996 and paid to the Tamil Nadu Medical Services Corporation to avoid lapsing of budgetary provisions. Similarly, unutilised provision of Rs.52.70 lakhs earmarked for local purchase of medicines under the head '2210.05.001.I.AB' was drawn on 29 March, 1996 and paid to the Corporation under orders of Government (26 March, 1996) to prevent lapsing of the provision.

2.5 Reserve funds

According to finance accounts for 1995-96, the accumulated balances in various Reserve funds at the close of the financial year 1994-95 was Rs.1076.85 crores and at the end of 1995-96 was Rs.1157.90 crores.

Review of the transactions under 'Reserve funds', revealed as under :

(i) 3 Reserve Funds[a] had not been operated for more than 9 years and Rs.4.86 crores had accumulated under these funds;

(ii) though the Urban Development Fund was abolished in September 1993, the accumulated balance of Rs.657.11 crores continued to exist in Government accounts;

(iii) the accumulated balance of Rs.1.58 crores in the "Depreciation Reserve Fund - Cinchona plantations" was not appropriated even after the Cinchona Department was amalgamated with the Tamil Nadu Tea Plantation Corporation in 1990-91;

(iv) no expenditure was incurred for 15 years (1981-82 to 1995-96) from the accumulated balance of Rs.61.60 lakhs available under 'Depreciation Reserve Fund - Agricultural Engineering Workshop'. Though entire machinery of the Workshop had far outlived their life, there was no plan for

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a. (i) Milk Scheme-Central Dairy, Madhavaram.
(ii) Road Transport Scheme,
((i) and (ii) under '8115. Depreciation/Renewal Reserve Funds').
(iii) Fund for Development of Milk Supply
(under '8229.Development and Welfare Funds')

modernisation/diversification as brought out in paragraph 7.2.2. of this report, despite the accumulation of balance under the fund;

(v) for want of balance, expenditure of Rs.20.24 crores incurred was not debited to the 'Religious and Charitable Endowments Fund'; and

(vi) based on the recommendations of the Tenth Finance Commission, orders for continuance of "Calamity Relief Fund" (Fund) from 1995-96 to 1999-2000 was issued by Government of India in July 1995. The State's share of Rs.14.62 crores for the year 1994-95 was not credited to the Fund during 1995-96 also. Though the accretions to the Fund were to be invested according to the pattern envisaged in the Government of India orders and subsidiary accounts were to be maintained by a State Level Committee constituted after consultation with the Accountant General, no amount was invested from the accretions of the Fund till 1995-96 and no consultation was made with the Accountant General.

2.6 Advances from Contingency Fund

The corpus of the Contingency Fund placed at the disposal of Government of Tamil Nadu to meet unforeseen expenditure, pending authorisation by the State Legislature, was Rs.150 crores for the year 1995-96.

Eighty sanctions were issued during 1995-96 advancing Rs.116.35 crores from the Contingency Fund. It was noticed that :

(i) five sanctions amounting to Rs.2.51 crores were neither operated nor cancelled. No expenditure was incurred against these sanctions indicating that the expenditure was not of an urgent character;

(ii) the actual expenditure (Rs.19.61 lakhs) against five sanctions was less than 50 *per cent* of the amount sanctioned (Rs.3.77 crores); and

(iii) against two sanctions amounting to Rs.31.80 lakhs, expenditure of Rs.31.80 lakhs incurred from the Contingency Fund remained unrecouped to the Contingency Fund till 31 March,1996.

2.7 Non-receipt of explanations for saving/excess

After the close of each financial year, the detailed appropriation accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent to the Controlling Officers requiring them to explain significant variations under the heads. Out of 724 sub-heads, the explanations for variations were not received in 584 cases (81 *per cent*) (October 1996).

2.8 Shortfall/excess in recoveries

Under the system of gross budgeting, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts in reduction of expenditure; the anticipated recoveries and credits are shown separately in the Budget estimates. During 1995-96 also, such recoveries were anticipated at Rs.300.17 crores; actual recoveries during the year were, however, Rs.237.97 crores. Some of the important cases of shortfall/excess as compared to estimates are detailed in Appendix XI.

During the previous 4 years actual recoveries were much less than that anticipated, the percentage of variation ranging between 22 and 53 as given below:

(Rupees in crores)

Year	Recoveries anticipated	Actual recoveries	Percentage of variation
1991-92	235.85	138.72	41
1992-93	325.72	159.73	51
1993-94	445.27	209.42	53
1994-95	205.46	159.43	22

2.9 Reconciliation of departmental figures

Departmental figures of expenditure should be reconciled with those of the Principal Accountant General (Accounts and Entitlements) every month. The reconciliation had, however, remained in arrears in several departments.

The number of Controlling Officers who did not reconcile their figures and the amounts involved are indicated below:

(Rupees in crores)

Year	Number of controlling officers who did not reconcile their figures	Amount not reconciled
1992-93	2	1.15
1993-94	13	33.91
1994-95	23	98.53
1995-96	108	1926.63
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Total	**146**	**2060.22**

Amounts exceeding Rs.10 crores in each case remained unreconciled during 1995-96 in respect of the following 29 controlling officers.

(Rupees in crores)

	Controlling Officers (1)	Amount not reconciled (2)
1.	Chief Engineer, Agricultural Engineering, Chennai	17.92
2.	Chief Engineer (Highways and Rural Works), Chennai -5.	11.56
3.	Chief Engineer (Highways and Rural Works), Chennai -28.	37.84
4.	Chief Engineer (Irrigation), Chennai	65.30
5.	Chief Engineer (Public Works Department - Buildings), Chennai	72.31
6.	Chief Engineer, Public Works Department, Chennai	11.03
7.	Commissioner of Revenue Administration, Chennai	98.41
8.	Director of Adi Dravidar and Tribal Welfare, Chennai	262.47
9.	Director of Agriculture, Chennai	19.20
10.	Director of Animal Husbandry, Chennai	17.48
11.	Director General of Police, Chennai	357.19
12.	Director of Handlooms and Textiles, Chennai	85.82
13.	Director of Medical and Rural Health Services, Chennai	32.88
14.	Director of Medical and Rural Health Services, Primary Health Centres, Chennai	66.64
15.	Director of Municipal Administration, Chennai	60.06

	(1)	(2)
16.	Director of Public Health and Preventive Medicine. Chennai	37.65
17.	Director of Public Libraries. Chennai	10.77
18.	Director of Rural Development. Chennai	65.84
19.	Director of Small Savings. Chennai	12.88
20.	Director of Social Welfare (Integrated Child Development Scheme - Nutritious Meal Programme - III). Chennai	73.63
21.	Director of Social Welfare (Nutritious Meal Programme). Chennai	14.57
22.	Director of Town Panchayats. Chennai	83.01
23.	Director of Treasuries and Accounts. Chennai	29.10
24.	Engineer-in-chief. Public works Department (Irrigation). Chennai	92.37
25.	Finance Director. Tamil Nadu Housing Board. Chennai	27.70
26.	Finance Director. Tamil Nadu Water supply and Drainage Board. Chennai	21.72
27.	Member Secretary. Sports Development Authority of Tamil Nadu. Chennai	25.83
28.	Registrar. Highcourt. Chennai	48.25
29.	Special Commissioner for Revenue Administration (Natural Calamities). Chennai	67.82

CHAPTER III

CIVIL DEPARTMENTS

ADI DRAVIDAR AND TRIBAL WELFARE DEPARTMENT

3.1 Special Central Assistance to Special Component Plan for Scheduled Castes

3.1.1 Introduction

As an additive to States' Special Component Plan (SCP) for development of Scheduled Castes (SC) people, Special Central Assistance (SCA) was provided as 100 *per cent* grant from the year 1979-80 onwards by Government of India (GOI). The main objective was to give an added thrust to economic development programmes for SCs and fill the gaps which various programmes of Centre/State could not cover in general sectors. State Governments were given full flexibility in utilising the SCA funds with the only condition for applying the funds on income generating economic development schemes in conjunction with SCP.

In Tamil Nadu, the schemes were implemented by utilising SCA funds during 1991-96 by various departments/agencies for the development of Hindu Adi Dravidars (HADs) who were the SCs in the State.

3.1.2 Organisational set up

Secretary to Government, Adi Dravidar and Tribal Welfare (AD&TW) Department is the co-ordinating authority for the development of SCs at State level. "Secretaries Committee", chaired by Chief Secretary to Government was constituted in February 1991 to approve various schemes implemented for the welfare of HADs utilising SCA funds sanctioned by GOI. In November 1991, this Committee was replaced by an Empowered Committee (EC) consisting of the State Minister, Chief Secretary, Secretary, Finance Department and other Secretaries of Government departments implementing the schemes. Function of the EC was to approve the training and employment schemes under SCA, review the progress of the schemes and take appropriate steps for speedy implementation of the schemes.

All proposals for SCA schemes were to be submitted to Government of Tamil Nadu (GTN) by the departments through the Managing Director (MD), Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO). These proposals were to be examined by AD & TW Department and submitted to the EC for approval and after approval by the EC, the schemes were to be sanctioned by GTN.

Abbreviations used in this review are listed in the glossary at Appendix XV (Page 250).

3.1.3 Audit coverage

Implementation of the SCA schemes during 1991-92 to 1995-96 was reviewed (January 1996 to May 1996) by test-check of records of AD&TW Department of the State Secretariat and all Heads of departments/agencies implementing the SCA schemes. At regional/district level, records of 33[1] Offices were test-checked. Results of review are contained in the following paragraphs.

3.1.4 Highlights

- **There were unutilised balances of Rs.27.81 crores, Rs.27.68 crores, Rs.22.55 crores and Rs.2.92 crores with Government of Tamil Nadu as on 31 March of 1992, 1993, 1994 and 1995 respectively. As per Government of India instructions, unutilised balance was to be surrendered at the end of the financial year. Neither the unutilised balance was surrendered nor revalidation obtained from Government of India for utilising the fund during subsequent years.**

- **There were variations between the figures of funds released as reported by Tamil Nadu Adi Dravidar Housing and Development Corporation to Government of India and those actually released in respect of 9 departments/agencies; the variation ranged between 26 and 100 *per cent*.**

(Paragraph 3.1.5.1)

- **Out of Rs.28.38 crores released during 1991-96 by Tamil Nadu Adi Dravidar Housing and Development Corporation to 9 departments/agencies, the unutilised balance of Rs.8.13 crores was not refunded by these departments/agencies as of June 1996.**

(Paragraph 3.1.5.3)

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1. (i) TAHDCO : 4 District Offices, 1 Divisional Office, 1 Regional Manager's Office; (ii) TNKVIB : 4 Assistant Director's Offices, 1 Regional Deputy Director's Office; (iii) DAH : 4 Regional Joint Director's Offices; (iv) DHT : 2 Assistant Director's Offices; (v) DAD&TW : 4 District Offices; (vi) DET : 3 Assistant Director's Offices; (vii) Directorate of Agriculture: 3 Regional Joint Director's Offices; (viii) Chief Engineer-Agricultural Engineering : 3 Executive Engineer's Offices; and (ix) Directorate of Sericulture : 3 Assistant Director's Offices.

- As against 1 *per cent* of scheme expenditure admissible towards staff cost, Tamil Nadu Adi Dravidar Housing and Development Corporation incurred an excess expenditure of Rs.7.37 crores during 1990-95 and overcharged Special Central Assistance funds.

(Paragraph 3.1.5.4)

- Though an overall achievement of 101 *per cent* of the targets for 1993-94 was reported, in respect of 4 departments/agency, there was significant shortfall in achievement ranging from 32 *per cent* to 73 *per cent*.

(Paragraph 3.1.6.2(i))

- Though Government of India guidelines envisaged preparation of taluk-wise list of villages in descending order of Scheduled Caste population through detailed household survey to facilitate a systematic and need-based programme, no such survey was conducted, indicating defective planning.

(Paragraph 3.1.6.3(i))

- Four schemes (Heifer calf scheme, 2 broiler birds schemes and promoting small savings scheme) formulated, on which an expenditure of Rs.1.14 crores was incurred, were not conducive of ensuring sustained income to Hindu Adi Dravidars and their eventual upliftment above the poverty line.

(Paragraph 3.1.7)

- Though the maximum subsidy admissible under Special Central Assistance Scheme was Rs.5,000 per individual, Rs.7.19 crores were paid during 1991-92 to 1995-96 for implementation of 9 schemes as against the admissible subsidy of Rs.3.70 crores, in 4 districts test-checked, resulting in excess release of Rs.3.49 crores.

(Paragraph 3.1.8(i))

- Out of 361 looms installed by incurring an expenditure of Rs.1.24 crores in 4 primary powerloom Co-operative Societies, only 154 were working. 16 looms (cost : Rs.4.78 lakhs) given to beneficiaries had been sold out and 191 looms (cost : Rs.56.91 lakhs) were lying idle.

(Paragraph 3.1.9(i))

- Expenditure of Rs.15.23 lakhs incurred during October 1991 to March 1996 for purposes other than those specified in Government of India guidelines was charged to Special Central Assistance funds.

(Paragraph 3.1.10)

- Share capital assistance of Rs.25 lakhs was released to a Society of which 94 *per cent* of the members were ineligible under Special Central Assistance.

(Paragraph 3.1.10 (iv))

- Assistance of Rs.1.54 crores including margin money of Rs.51.25 lakhs was extended under the scheme to a co-operative spinning mill at Thoppur, Madurai District during August 1986 to December 1992 for providing employment to 405 Hindu Adi Dravidars. The mill became sick and the intended objective was not largely achieved (April 1996).

(Paragraph 3.1.11.2(i))

- Subsidy of Rs.60.81 lakhs was released during November 1989 to January 1995 for setting up of 16 Industrial Co-operative Societies for benefiting 922 Hindu Adi Dravidars. However, none of the Societies started functioning (June 1996).

(Paragraph 3.1.11.3)

- Despite identification of 30 women beneficiaries to undergo training in a weaving unit established at Kamachipuram, no training was imparted as of June 1996 as the beneficiaries were not willing to take up training due to meagre earnings resulting in non-setting up of the weaving unit even after 6 years of sanctioning of the scheme.

(Paragraph 3.1.11.4 (i))

- No data were available with both the Directorates (Adi Dravidar and Tribal Welfare and Employment and Training) to find out whether the trainees got gainful employment after undergoing job-oriented training, though expenditure of Rs.2.85 crores was incurred in training 43,970 candidates during 1991-96.

(Paragraph 3.1.12)

- Monitoring of Special Central Assistance Schemes was not effective. No evaluation was conducted by Government of Tamil Nadu covering all the departments.

(Paragraphs 3.1.13 and 3.1.14)

3.1.5 Financial performance

3.1.5.1 Accounting of SCA funds

Details of funds released by GOI, utilisation reported (September 1994 and August 1995) to GOI, unspent balance with Government and expenditure were as under:

(Rupees in crores)

Year	Opening Balance as on 1 April	Release of funds by Government of India	Total funds available	Amount utilised as reported to Government of India (Percentage of utilisation)	Unspent balance with Government of Tamil Nadu as on 31 March	SCA expenditure as per Government accounts	Funds credited to PD accounts as per the accounts of TAHDCO
1991-92	27.30	17.79	45.09	17.28 (38)	27.81	17.91	17.41
1992-93	27.81	19.12	46.93	19.25 (41)	27.68	24.38	24.37
1993-94	27.68 2.14*	18.79	48.61	26.06 (54)	22.55	18.77	18.77
1994-95	22.55	26.55	49.10	46.18 (94)	2.92	26.56	26.53
1995-96	2.92	PA	PA	PA	PA	26.08	PA

* Details of adjustment not made available to Audit.

PA Particulars awaited.

Difference in utilisation reported to GOI and that reflected in GTN accounts had not been reconciled as of September 1996.

During 1991-94, percentage of utilisation of available funds was only between 38 and 54. Reason for low utilisation was attributed by TAHDCO (September 1996) to delay in receipt of requisition for funds by implementing agencies and delay in release of assistance by banks.

Neither the unutilised balance as on 31 March of each year was surrendered to GOI nor revalidation from GOI was obtained for utilising the funds during subsequent years as per GOI instructions. GTN stated in January 1996 that due to various administrative reasons, approval for implementation of schemes was issued at the fag end of the financial year and as schemes had already been formulated, if the amounts were surrendered, it might not be possible to implement the schemes. GTN could have obtained revalidation from GOI for utilising the amount in subsequent years.

Based on GTN sanctions, TAHDCO was releasing funds to other agencies/departments for implementing the schemes. Variations between the figures reported to GOI and that actually released during 1991-92 to 1994-95 in respect of 9 departments/agencies were noticed as given below:

(Rupees in lakhs)

Serial Number	Name of the Department/ agency year	Amount released as reported to GOI	as per accounts of TAHDCO	Percentage of variation
1.	Sericulture			
	1991-92	7.48	65.70	89
2.	Agriculture			
	1992-93	Nil	80.63	100
3.	Industries and Commerce			
	1991-92	Nil	3.11	100
	1992-93	Nil	8.42	100
	1994-95	6.04	1.79	70
4.	Animal Husbandry			
	1991-92	32.53	74.66	56
	1994-95	79.18	58.46	26
5.	Tamil Nadu Khadi and Village Industries Board			
	1992-93	153.25	267.55	43
6.	Employment and Training			
	1991-92	20.57	13.08	36
	1992-93	24.83	40.63	39
	1993-94	62.49	45.55	27
	1994-95	42.72	32.02	25
7.	Oil seeds			
	1991-92	Nil	4.82	100
8.	Handlooms and Textiles			
	1991-92	Nil	66.87	100
	1992-93	27.75	94.46	70
9.	Tamil University			
	1992-93	Nil	25.00	100
	1993-94	25.00	Nil	100

TAHDCO stated in September 1996 that the variations were due to submission of Annual Progress Reports based on field reports pending posting of ledgers and delay in certification of Annual Accounts; and also due to time gap between the month of submission of Annual Reports and certification of Annual Accounts. But, the fact remained that information regarding release of Government funds was wrongly reported to GOI and correct figure had not been reported after reconciliation.

3.1.5.2 Utilisation of interest accrued on SCA funds

Separate Savings Bank (SB) Account was not maintained by TAHDCO to keep SCA funds. From the annual accounts of TAHDCO, it was seen that interest on unspent subsidy accrued to TAHDCO in respect of schemes implemented by TAHDCO itself was Rs.6.68 lakhs in 1991-92, Rs.2.77 lakhs in 1992-93 and Rs.1.23 lakhs during 1993-94. Besides, implementing agencies, to whom subsidy was released by TAHDCO for implementation of SCA scheme, remitted Rs.2.12 lakhs to TAHDCO as interest on unutilised subsidy during 1990-91 and 1991-92. As GOI guidelines were silent on utilisation of interest earned on SCA funds and as TAHDCO did not maintain separate SB account, interest accrued on unspent subsidy was accounted as interest income of TAHDCO and was not utilised for augmenting the resources of the schemes.

3.1.5.3 Non-utilisation of funds by departments

Test-check of records of 9 departments[2]/agencies revealed that against Rs.28.38 crores released by TAHDCO and reported as expenditure to GOI for implementing various schemes during 1991-96, an expenditure of Rs.11.48 crores only was incurred and details for further expenditure of Rs.7.82 crores were yet to be ascertained (June 1996) from field offices by 3 departments. The balance of Rs.9.08 crores was not utilised by the departments, out of which only Rs.0.95 crore was refunded to TAHDCO. The unutilised balance of Rs.8.13 crores was not refunded as of June 1996 by the 9 departments.

3.1.5.4 Inadmissible expenditure on administrative cost

(i) According to GOI guidelines, upto 1 *per cent* of scheme expenditure was debitable to SCA funds towards staff cost for implementation, supervision, monitoring and evaluation. But, actual staff expenditure met out of SCA funds by TAHDCO during 1990-91 to 1994-95 was far in excess of the eligible amount resulting in overcharging the scheme by Rs.7.37 crores.

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2. Directorates of Adi Dravidar and Tribal Welfare; Agriculture; Agricultural Engineering; Animal Husbandry; Employment and Training; Industries and Commerce; Sericulture; Small Savings; and Tamil Nadu Corporation for Development of Women.

By overcharging SCA funds by Rs.4.81 crores during 1990-91 to 1993-94, TAHDCO earned a net profit of Rs.1.48 crores, but for which it would have incurred a net loss of Rs.2.99 crores for the period from 1989-90 to 1993-94. Out of its profit so booked, TAHDCO "reserved" during 1993-94 Rs.1.20 crores for construction of a training-*cum*-office complex.

Animal Husbandry Department claimed from TAHDCO as reimbursement of establishment cost Rs.10.73 lakhs for the years 1991-92 to 1994-95, which was more than 1 *per cent* of their actual expenditure of Rs.2.53 crores. The excess payment received by the department worked out to Rs.8.20 lakhs for the period 1991-92 to 1994-95 as against Rs.2.53 lakhs admissible.

3.1.6 Physical performance

3.1.6.1 Efforts under SCP

GTN stated (January 1993) that during 1985-90, about 10.55 lakh SC families were assisted under SCP against the target of assistance to 10 lakh families and projected target of assistance to 12.50 lakh families at the rate of 2.50 lakh families each year for the period 1992-97 in the Eighth Plan document. Against the expenditure of Rs.774.10 crores (for covering 10.55 lakh families) during 1985-90, Rs.1603.49 crores was incurred (for covering 23.99 lakh families) during 1990-95.

However, Government in AD & TW Department did not have details of number of SC families living below the poverty line during 1990-95 (June 1996). Details of number of families uplifted with the level of assistance provided during the last 15 years (1980-1995) were also not available with the department (June 1996).

3.1.6.2 Target and achievement under SCA

Though the SCP as well as the additive SCA schemes were family-oriented schemes, in respect of SCA schemes details of coverage of number of beneficiaries only were available with GTN.

(i) The following targets and achievements in respect of SCA schemes, covering all the implementing departments/agencies for the period 1991-92 to 1994-95 were reported to GOI in September 1994 and August 1995.

Year	Target	Achievement	Percentage of achievement	Utilisation reported to GOI (Rupees in lakhs)	Percentage of utilisation of the available funds
	(Number of beneficiaries in lakhs)				
1991-92	1.59	1.59	100	1728.00	38
1992-93	1.72	1.66	97	1925.00	41
1993-94	1.45	1.47	101	2606.01	54
1994-95	2.37	2.32	98	4618.06	94
1995-96	PA	PA	PA	PA	..

PA : Particulars awaited.

Even though in the VIII plan document, GTN projected coverage of 2.50 lakh beneficiaries per year, actual coverage was only 7.04 lakhs during 1991-92 to 1994-95.

Achievement of targets ranging between 97 *per cent* to 101 *per cent* was reported to GOI during 1991-94, though utilisation of funds was only between 38 and 54 *per cent*.

In 1991-92, against 100 *per cent* physical achievement, only 38 *per cent* of financial achievement was reported by GTN. Further, TAHDCO reported to GTN utilisation of entire funds even though it was holding a balance of Rs.9.05 crores.

Though an overall achievement of 101 *per cent* of targets was reported during 1993-94, there was significant shortfall in respect of the following departments/agency.

Department/ Agency	Target	Achievement	Percentage of shortfall
	(Number of beneficiaries)		
Sericulture	6,000	1,592	73
TAHDCO	35,000	19,755	44
Employment and Training	11,800	7,989	32
Animal Husbandry	1,900	1,000	47

Despite projection of target for efforts under SCP and SCA in the VIII Plan document, Government in AD & TW Department stated in January 1996 that no target was fixed either by GOI or State Government for SCA schemes, but, to have some basis, achievement during the previous year was taken as target for implementation of schemes which indicated absence of realistic and normative approach for proper synchronisation of physical and financial performance in implementation of SCA schemes.

(ii) Despite modified guidelines issued (July 1993) by GOI for reorienting SCA schemes with the thrust on cluster approach, number of individual beneficiaries targeted to be covered and actually covered was significantly on the increase from 1993-94 particularly by Agriculture Department as given below:

(In lakhs)

Year	Number of beneficiaries	
	Target	Achievement
1991-92	0.78	0.78
1992-93	1.06	0.97
1993-94	0.76	0.98
1994-95	1.20	1.75
1995-96	NA	NA

NA : Not available.

3.1.6.3 Identification of beneficiaries

(i) GOI guidelines envisaged preparation of taluk-wise list of villages in descending order of SC population through detailed survey of SC household in villages which was to facilitate a systematic and need-based economic development programme. Records did not indicate any such survey having been undertaken. In the absence of the information, formulation and implementation of need-based programmes could not be verified in audit. Absence of information also indicated defective planning.

(ii) Out of 4,000 beneficiaries targeted to be covered under sericulture schemes during 1992-95, only 901 were covered upto March 1996. It was stated in March 1996 by the Directorate of Sericulture that the shortfall was mainly due to either the beneficiaries were unwilling to cultivate mulberry or they were found to be defaulters of bank loan under some other schemes and there was delay ranging from 5 to 7 months in finalising the list of beneficiaries. Thus, the method of selection of beneficiaries did include beneficiaries already assisted under some other schemes.

(iii) Despite the directions of GTN (March 1989) for distributing subsidy to beneficiaries after taking into account the recommendation of the Village Administrative Officers (VAOs) as regards caste and the extent of land owned by the applicants, agricultural inputs were distributed by field level officers without obtaining the recommendations of VAOs in 3 offices[3] test-checked.

(iv) Selection of beneficiaries for schemes implemented by Tamil Nadu Corporation for Development of Women (TNCDW) was done only by Non-Governmental Organisations (NGOs) without getting the community certificates for ensuring their eligibility. TNCDW stated (May 1996) that it did not have sufficient staff for exercising control over selection of beneficiaries but NGOs were given clear directions for selecting eligible beneficiaries.

3. Offices of the Joint Director of Agriculture, Chengai-MGR, Thanjavur and Tiruchirappalli Districts.

3.1.7 Formulation of schemes under SCA

(i) Individual Entrepreneur Scheme, Self Employment Scheme, etc. funded under SCA were credit-linked. Scheme-wise details of institutional finance anticipated and extended during 1990-95 called for from GTN were stated (January 1996) to be not available.

(ii) Under the scheme for distribution of calves to HAD women free of cost for 1994-95, the Directorate, while sending proposals for rearing 1,000 Heifer calves for 24 months, stated that due to inability of poor HAD beneficiaries to maintain and provide better nutrition, calves with exotic germ plasm were lost. But, without ensuring the ability of beneficiaries to feed the heifers, the scheme for distribution of 10,000 calves was sanctioned by GTN in 1995-96 and 5,011 calves were distributed incurring an expenditure of Rs.75.17 lakhs. No steps were taken by Government to ensure supply of nutritious feed to the heifers distributed during 1995-96. However, during 1996-97, the department had proposed to supply nutritious feed to the calves distributed during 1995-96. The proposal had not been approved by GTN (June 1996).

The heifer calf scheme was also implemented through TNCDW during 1990-95, according to which, the women HAD beneficiaries were permitted to sell the heifer calves after they attain the age of maturity. Formulation and implementation of the scheme was, thus, contrary to the objective of ensuring sustained income to HAD beneficiaries.

(iii) The scheme for supply of Asil and Giriraja broiler birds to HAD beneficiaries was sanctioned by GTN in October 1995 at the cost of Rs.84 lakhs. One unit of Asil birds of 5 female and 1 male bird of 12 weeks age each was to be distributed to HAD beneficiaries. Similarly, a unit of Giriraja birds comprising 60 chicks was to be supplied to the beneficiaries. The beneficiaries were to sell the chicks after rearing them till marketable age. As of March 1996, 2,040 beneficiaries were supplied with 2,040 units of Asil birds at the cost of Rs.2.39 lakhs and 3,616 units of Giriraja birds were distributed at the cost of Rs.10.85 lakhs. Under both the schemes, the units were to be sold out to earn an 'one time income' which would be meagre after meeting the expenditure on rearing them. The 'one time income' would not be sufficient to bring the beneficiaries above the poverty line, which was the objective of the scheme.

(iv) A scheme for "promoting saving habit among HAD women" was sanctioned by GTN in October 1995. The amount sanctioned from SCA funds was Rs.3 crores. Each beneficiary was to be given Kisan Vikas Patra of face value of Rs.1,000 (Rs.300 to be paid as subsidy and Rs.700 to be met by the beneficiary). The scheme was to be implemented during 1995-96 by the Directorate of Small Savings through District Collectors without any let up or shortfall.

The scheme contemplated investment in Kisan Vikas Patra which could be encashed any time after a locking-in period of two and half years with interest accrued. Neither the subsidy invested was of immediate benefit to the beneficiaries nor any generation of sustained income resulted, as the amount realised would not be sufficient to uplift them above the poverty line.

As of March 1996, expenditure of Rs.26.06 lakhs including Rs.0.16 lakh towards wages was incurred under the scheme covering 8,634 beneficiaries against the anticipated coverage of 1 lakh beneficiaries. Unutilised amount of Rs.2.75 crores was remaining with District Collectors.

Thus, the above schemes formulated, on which expenditure of Rs.1.14 crores was incurred, were not conducive of ensuring sustained income to HADs and their eventual upliftment above the poverty line.

3.1.8 Excess release of subsidy

(i) Though the maximum subsidy admissible under SCA was Rs.5,000 per individual, Rs.7.19 crores were paid to 7,467 beneficiaries as against the admissible amount of Rs.3.70 crores in 4 districts[4] test-checked in respect of 9 schemes implemented during 1991-92 to 1995-96 resulting in excess release of subsidy of Rs.3.49 crores.

(ii) Among the micro-watersheds delineated from out of 34 river basins in the State, priority watersheds which needed immediate conservation work were taken up under the scheme. HAD beneficiaries whose lands fell within the treated areas were to be identified by verification of revenue records. Cost of work was to be recovered from farmers along with 25 *per cent* overheads. 25 *per cent* subsidy was extended and a moratorium of 2 years was allowed to recover the remaining cost. Additional subsidy of 25 *per cent* over and above the normal subsidy of 25 *per cent* was made available to HADs from February 1986 under SCA.

As against the admissible 1 *per cent* for staff cost for implementing scheme under SCA as per GOI guidelines, soil conservation schemes provided for charging 25 *per cent* for overheads. Extension of 25 *per cent* subsidy on total cost of works and overheads to HADs under SCA resulted in excess release of subsidy by Rs.9.28 lakhs out of the total subsidy of Rs.48.33 lakhs extended during 1990-91 to 1994-95.

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[4]. Chengai-MGR, Chennai, Tiruchirappalli and Villupuram-Ramasamy Padayachi.

3.1.9 Avoidable/infructuous/unproductive expenditure

(i) Mention was made in paragraph 3.10 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1995 (No.3 - Civil - Government of Tamil Nadu) regarding non-achievement of the objective of setting up of 4 Primary Powerloom Co-operative Societies (Ayodhiapattinam, Karur, Kasipalayam and Somanur) due to failure to arrange financial assistance and other infrastructural facilities. A sum of Rs.1.36 crores was released by TAHDCO to the Director of Handlooms and Textiles (DHT), who in turn released Rs.1.24 crores to Tamil Nadu Textile Corporation (TNTC) between February 1991 and August 1992 for purchase of looms, accessories, training and construction of worksheds. In addition, Rs.1.37 lakhs and Rs.5.50 lakhs were also released by TAHDCO directly to the Societies towards fees for registration and share capital respectively.

TNTC, while calling for tenders (May 1990) for purchase of looms, did not indicate the technical specifications required in the tender schedule. Rates and technical bid quoted by the tenderers were evaluated by a purchase committee and Technical Sub-Committee and orders were placed (February 1991) with firm 'A' for 363 looms (cost : Rs.99.53 lakhs) and with firm 'B' for 187 looms (cost : Rs.34.64 lakhs) to be supplied by April 1991. Firm 'A' supplied only 66 looms upto July 1991 and Firm 'B' completed the supply in time. Order on Firm 'A' was cancelled in November 1991 and after calling for re-tender (December 1991), firm 'B' was ordered to supply 100 looms at enhanced rate. Even at the time of acceptance of first tender itself, rate quoted by Firm 'A' was higher than that quoted by Firm 'B'. Higher rate of firm 'A' was accepted by TNTC on the ground that the looms of firm 'A' were of best quality. Firm 'B' agreed to supply looms ordered after re-tender at an enhanced rate. This resulted in an additional expenditure of Rs.3.19 lakhs in respect of 50 looms supplied by firm 'B'. But the excess expenditure was not recovered from firm 'A' despite the fact that the tender schedule contained such a clause. Firm 'A', which also participated in re-tender, supplied 54 looms at the rate agreed in the first tender to adjust the advance payment available with them, paid under the first supply order.

There was an unutilised subsidy of Rs.12.30 lakhs (February 1996) with TNTC out of Rs.1.36 crores released by the DHT after incurring an expenditure of Rs.1.24 crores towards cost of looms. The same was not refunded to TAHDCO (June 1996).

As of December 1995, out of 361 looms purchased, the entire cost of 78 looms and accessories installed in Karur (cost : Rs.23.15 lakhs) had become infructuous as none of the looms installed under the scheme was used. Cost of 16 looms sold out by members of Ayodhiapattinam and Somanur Societies (cost : Rs.4.78

lakhs) was to be treated as infructuous. Expenditure on 113 looms remaining idle in 3 Societies (Ayodhiapattinam : 61, Kasipalayam : 14 and Somanur : 38) (cost : Rs.33.76 lakhs) due to non-availability of working capital became unproductive.

Out of subsidy of Rs.9.39 lakhs released to TNTC for construction of 118 worksheds, only Rs.4.96 lakhs were disbursed by TNTC to beneficiaries. Only 13 beneficiaries constructed worksheds (December 1995).

Out of 400 beneficiaries, who were imparted training at the cost of Rs.3.08 lakhs, only 264 were provided with looms. Training expenditure of Rs.0.67 lakh incurred on the remaining 136 beneficiaries became unproductive.

Apart from the unutilised subsidy retained by TNTC, excess subsidy of Rs.64.68 lakhs released by DHT due to reduction in number of looms to be installed was also retained by TNTC (June 1996).

(ii) An amount of Rs.13.23 lakhs was released during January 1985 to April 1991 to a Co-operative Society from SCA funds by TAHDCO for establishment of a Handloom complex at Thovalai Block at the cost of Rs.17.22 lakhs to benefit 130 HADs. Two sheds were constructed (January 1987) one at Thazhakudi and another at Mudanganvillai (Cost : Rs.6 lakhs). Training was imparted to 130 members (cost : Rs.0.69 lakh). Fifty eight looms and accessories were purchased and installed at the cost of Rs.1.18 lakhs during November 1987 to June 1988. It was stated by the Special Officer of the Society in April 1996 that only 12 looms out of 58 purchased were in operation due to non-availability of members, because of incorrect identification of beneficiaries who were predominantly agricultural labourers. The Society formed after incurring an expenditure of Rs.9.23 lakhs (including share capital assistance : Rs.0.26 lakh and working capital : Rs.1.10 lakhs) could not function due to non-availability of members and the expenditure became largely unproductive.

A sum of Rs.8 lakhs was released by TAHDCO to DHT during October 1989 and October 1992 for establishment of 2 powerloom complexes at Nainarkoil and Moovalur to provide employment to 78 beneficiaries for 300 days a year. As performance of industrial type of societies was viewed as failure by Government, DHT proposed (September 1993) to drop the scheme. But the subsidy of Rs.8 lakhs was not refunded to TAHDCO (June 1996).

(iii) Sheep rearing scheme was being implemented by Animal Husbandry Department from 1983 onwards extending 50 *per cent* subsidy. 4,866 sheep units[5] were established during 1991-95 incurring an expenditure of Rs.2.17 crores. Assets created (sheep units) under the scheme were not maintained by the beneficiaries despite the fact that each beneficiary executed a bond with the department not to sell or otherwise dispose of the asset granted to him under the scheme. Out of 791 units for which details were available, 429 beneficiaries sold their entire sheep units supplied to them during 1983-93 and the entire subsidy of Rs.14.63 lakhs given for establishing these units became unproductive.

GTN accepted (March 1992) the proposal of TAHDCO to prune the expenditure under the scheme for the year 1991-92 and released subsidy for 1991-92 scheme towards 50 *per cent* of unit cost and insurance only and no subsidy was released towards kutchapen, equipment, etc., which were provided for in the scheme sanctioned by GTN. However, for units sanctioned during 1990-91, but established during 1991-92, 1992-93 and 1993-94 and for units sanctioned during 1992-93, Rs.250 per unit were released as subsidy for purchase of kutchapen and equipment. Release of subsidy of Rs.10.37 lakhs for establishment of 4,146 units during 1991-94 (spillover units of 1990-91 : 2,350; 1992-93 scheme : 1,796) was avoidable.

3.1.10 Inadmissible expenditure

The following expenditures incurred for purposes other than those specified in GOI guidelines were inadmissible under SCA schemes:

(i) Rs.5.46 lakhs spent towards advertisement charges regarding achievement of four years of AD & TW Department (March 1996).

(ii) Rs.0.66 lakh spent in connection with preparation of budget (October 1991); Rs.1.55 lakhs : expenditure in connection with VIP visits (March 1992-94); and Rs.0.23 lakh : to conduct a review meeting (October 1991 to March 1996).

(iii) Expenditure of Rs.58 lakhs spent on training of 2,376 HAD beneficiaries under Self employment training programme included an inadmissible expenditure of Rs.6.33 lakhs towards supervision charges and Rs.1 lakh as advertisement charges.

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[5]. One sheep unit : 10 ewes and 1 ram.

(iv) Share capital assistance of Rs.25 lakhs was released in July 1990 to a Silk Reelers' Co-operative Society at Natrampalli. It was observed that the Society had only 50 HAD families as members out of the total membership of 802. Thus, release of assistance to the Society with 94 *per cent* of ineligible members was irregular.

3.1.11 Other points of interest

3.1.11.1 Strengthening of footwear tanning units

Sanction was accorded (October 1990) for the release of Rs.74.40 lakhs as 100 *per cent* subsidy from SCA for purchase of machinery for 25 footwear tanning units, for decorating 22 footwear leather goods shops and for strengthening 2 village model tannery and chrome tanning units for the benefit of 1,430 HADs. But, a sum of Rs.47.06 lakhs was spent for supply of 5 costly machinery to one of Tamil Nadu Khadi and Village Industries Board's (TNKVIB) footwear units during April 1994 to December 1995 and the balance amount was lying unutilised with TNKVIB. The objective of strengthening of 48 units remained unachieved.

3.1.11.2 Formation of primary powerloom co-operative societies

(i) SCA of Rs.1.03 crores was released by TAHDCO as subsidy during August 1986 to December 1992 to a co-operative spinning mill situated at Thoppur, Madurai District to expand its spindlage from 896 to 12,000 with a view to employ 405 HAD beneficiaries. Even though 405 HAD workers were recruited as of March 1996, only 266 workers were working in the mill, out of which, the number of HAD workers was 185 only. Reasons for large number of HADs leaving the mill were not ascertained by the department. The mill was reported to be sick (April 1996) and margin money loan was not repaid by the mill. The intended objective of providing employment to 405 HADs remained largely unachieved for more than 45 months even after extending assistance of Rs.1.54 crores including Rs.51.25 lakhs as margin money loan to the mill.

(ii) A sum of Rs.17.35 lakhs was released by TAHDCO out of SCA funds between September 1992 and December 1993 for formation of a primary powerloom weavers' co-operative Society at Sankarankoil at Tirunelveli for the benefit of 100 HAD members. The Society purchased 36 looms and 65 motors and accessories (cost : Rs.16.19 lakhs) and spent Rs.0.20 lakh on training 52 members during February 1994 to January 1995. Due to non-receipt of margin money from TAHDCO and loan from bank, only 36 beneficiaries were provided with looms.

3.1.11.3 Setting up of industrial co-operative Societies

A subsidy of Rs.6.04 lakhs was released from SCA by TAHDCO during July 1994 to an existing Industrial Co-operative Society for the manufacture of Calcium Oxide. The scheme was to benefit 120 HAD members of the Society. Due to escalation in cost of land proposed to be acquired for the Society, the land was not acquired and the scheme was not implemented as of June 1996 and the subsidy remained unutilised with the Society.

Though subsidy of Rs.54.77 lakhs was released to 15 Societies during November 1989 to January 1995 for the benefit of 802 HADs, the Societies did not function due to:

(a) improper selection of site for manufacture of bricks due to non-availability of ground water(4);

(b) land not purchased for making the Society functional (2);

(c) liquidation of Societies (3);

(d) diversion of funds to other Societies (2);

(e) delay in selection of agency for construction (2); and

(f) non-functioning of Society due to other reasons not furnished (2).

3.1.11.4 Setting up of units for women beneficiaries

(i) Two weaving units for women beneficiaries were proposed in March 1990 to be set up by TNCDW at Ponnivadi village through Avarampalayam Sarvodaya Sangh. Against admissible subsidy of Rs.3.51 lakhs, Rs.2.73 lakhs were released between August 1991 and June 1995. Construction work was stopped after incurring an expenditure of Rs.1.04 lakhs (March 1992 to February 1994) due to litigation with another Sangh over its jurisdiction for construction at the village. In June 1994, TNCDW accepted the proposal of the Sangh for setting up the unit at Kamachipuram where the Sangh had already established a silk reeling unit under the scheme. Building was constructed at Kamachipuram utilising the subsidy released for both the locations and machinery were purchased for Rs.3.89 lakhs in March 1995

Though 30 beneficiaries were identified for providing training in weaving, no training was imparted as of June 1996 as the beneficiaries were not willing to take up the training as earnings from other fields were more and the units had not started functioning (June 1996) resulting in non-setting up of the weaving units even after 6 years from the year of sanction of the scheme.

(ii) In Cuddalore, 2 spinning units and 1 weaving unit were established by Sarvodaya Sangh for which SCA funds totalling Rs.4.50 lakhs were released during October 1990 to March 1993 (building : Rs.2.61 lakhs, machinery : Rs.0.97 lakh, training : Rs.0.92 lakh). The scheme was to benefit 60 beneficiaries in spinning units and 16 beneficiaries in the weaving unit. In one spinning unit, for which 30 SC women were selected and 25 were trained in spinning, only 8 were continuing with the unit. Out of 16 trained in the weaving unit, 4 discontinued, and an average of 7 women only were working during March 1995 to October 1995. The vacancies were filled up by the Sangh with members of other communities and training was given. The scheme was not able to attract targeted number of beneficiaries reportedly due to meagre earnings in weaving in the district which had the second highest SC population (27 *per cent*) in the State.

3.1.12 Training

To open new avenues of employment to educated HAD youth, job-oriented training courses were conducted by the Directorate of Adi Dravidar and Tribal Welfare, (DAD&TW) and pre-examination training courses were conducted by the Directorate of Employment and Training to HAD candidates who were appearing for the competitive examinations conducted by State Public Service Commission/Union Public Service Commission/Banking Service Recruitment Board.

Though the scheme guidelines stipulated that subsidy for imparting training to SC candidates was to be distributed to the beneficiaries, in AD & TW Department, subsidy amounts were released to private institutions which imparted the training.

It was stated by the DAD & TW (May 1996) that no data were available to find out whether the trainees got gainful employment after undergoing training. Expenditure of Rs.2.85 crores was incurred in training 43,970 candidates (excluding persons trained under Typewriting and Shorthand) by the two Directorates during 1991- 1996.

3.1.13 Monitoring and supervision

According to GOI guidelines, State officials as well as district officials were required to ensure regular monitoring and supervision of the schemes implemented. But, no periodicity or percentage of checks to be exercised was fixed by GOI while releasing SCA funds. It was seen in Audit that :

(i) District level Officers of the DAD&TW Department did not maintain acquittance/records to ensure that subsidy released had actually reached the beneficiaries (students undergoing training in typewriting institutes). In spite of specific instructions issued by DAD & TW (May 1996), DADWOs did not verify the genuineness of the claims made by commercial institutes and their capacity to impart training. Due to non-monitoring of the implementation of the scheme, information regarding total number of SC beneficiaries who underwent training and the number of beneficiaries who got employment/self-employed was not available with the department.

(ii) Due to absence of field level staff, the schemes were implemented by TNCDW through NGOs. But, no verification was done by TNCDW to ascertain the implementation of the schemes, and verify the correctness of the reports furnished by the implementing agencies. Hence, achievement or otherwise of the objective of schemes entrusted to TNCDW could not be verified.

3.1.14 Evaluation

Despite incurring expenditure of Rs 134.85 crores on SCA schemes during 1991-96, GTN did not conduct any evaluation of the schemes covering all departments so far. However, evaluation studies of SCA schemes implemented by Directorate of Employment and Training (DET) was conducted by Department of Evaluation and Applied Research (November 1994) and of the schemes implemented by Directorate of Animal Husbandry (DAH) by the Department itself in March 1995. The reports were not made available to Audit as the report in respect of DET had not been finalised as of September 1996 and the study in respect of DAH had not been completed. GTN could not furnish details of HADs uplifted above the poverty line on account of its efforts under SCP and additive efforts under SCA schemes.

The above points were referred to Government in July 1996; reply had not been received (December 1996).

ANIMAL HUSBANDRY AND FISHERIES; AND MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENTS

3.2 Delay in implementation of the scheme for modernisation of an abattoir

Government of India (GOI) approved the proposal (March 1988) of Tamil Nadu Meat Corporation (TNMC) in March 1990 and released Rs.11 lakhs as first instalment for modernisation of the slaughter house (Abattoir) at Perambur, Chennai at the cost of Rs.60 lakhs. Expenditure on the scheme was to be shared equally by GOI and the State Government (GTN). The abattoir belonging to the Corporation of Madras (MC) was held by TNMC on lease basis since March 1979.

TNMC deposited Rs.22 lakhs (including the State's share of Rs.11 lakhs released to it in February 1991) in November 1990 and March 1991 with the Public Works Department (PWD) for carrying out the civil works. The work could not be commenced despite the preparation of the plans and estimates by PWD by October 1991 after spending Rs.2.87 lakhs, as TNMC proposed (November 1991) to transfer the abattoir to the control of MC. Though orders were issued by GTN in December 1992 to transfer the abattoir to the control of MC, the MC did not take over the abattoir due to its pre-occupation with schemes for the improvement of Chennai city. The abattoir continued to be under the control of TNMC till March 1995.

In January 1994, TNMC was merged with Tamil Nadu Poultry Development Corporation (TAPCO). TAPCO sent revised proposals (March 1994) for modernising the abattoir in 2 phases at the cost of Rs.7.20 crores (Rs.5.60 crores for phase I and Rs.1.60 crores for phase II) by including additional items such as administrative building, piece meat bazaar and rail conveyers. The revised proposals of TAPCO were forwarded by GTN to GOI in March 1994 projecting TAPCO as the implementing agency. GOI released Rs.98 lakhs for phase I as its share in May 1994. PWD refunded (November 1994) Rs.19.13 lakhs to TAPCO after deducting Rs.2.87 lakhs spent by it. The abattoir was taken over by MC in April 1995. TAPCO paid Rs.16.13 lakhs to MC and the balance had remained with TAPCO (February 1996). MC had spent Rs.10.75 lakhs (February 1996) for raising the compound wall, providing water supply, etc., to the abattoir.

Thus, the delay in deciding the agency for the maintenance of the abattoir resulted in non-achievement of the objective of modernisation of the abattoir for more than 6 years. Central assistance of Rs.98 lakhs released in May 1994 remained unutilised with GTN and the State's share of Rs.98 lakhs was also not released (February 1996); and the expenditure of Rs.2.87 lakhs incurred by PWD was rendered infructuous.

The matter was referred to Government in May 1996; reply had not been received (December 1996).

EDUCATION DEPARTMENT

3.3 Undue delay in commencing in-service training of teachers

Under the Centrally Sponsored Scheme of "Restructuring and Reorganisation of Teachers' Education", Government of India (GOI) approved (March 1989 and March 1990), among other items, the upgradation of existing Secondary Teachers' Training Institutes (STTI) into Colleges of Teacher Education (CTE) and Institutes of Advanced Study in Education (IASE). The STTI at Coimbatore, Komarapalayam, Orathanadu, Pudukkottai and Vellore were upgraded as CTEs and the STTIs at Saidapet and Triplicane were upgraded into IASEs in May 1989 and June 1990.

GOI released between 1988-89 and 1992-93, Rs.3.25 crores towards non-recurring grant. All the civil works were completed at the cost of Rs.2.46 crores and equipment purchased for Rs.66.94 lakhs (total cost : Rs.3.13 crores) between 1989-90 and 1994-95. Recurring grants of Rs.12 lakhs (1988-89 Rs.5 lakhs; and 1994-95 : Rs.7 lakhs) were also released by GOI for conducting in-service training.

No in-service training of teachers, however, was conducted on the ground of inadequacy of funds. The department submitted proposals identifying the programmes for in-service training in CTEs/IASEs and for additional funds of Rs.28.05 lakhs to the State Government only in December 1995 for getting approval of GOI. The reasons for the delay in submission of proposals were not on record. At the request of the department, GOI permitted carry forward of unspent balance of Rs.19.06 lakhs to the year 1995-96 and gave an additional grant of Rs.28 lakhs in December 1995 and February 1996. The amount of Rs.47.06 lakhs remained unutilised, as no training programme was commenced (May 1996). The unspent amount of Rs.4.45 lakhs on civil works was also not refunded to GOI.

Thus, the in-service training of teachers had not been commenced as of May 1996, even after a lapse of 6 years of launching of the scheme and after spending Rs.3.13 crores of Central assistance for infrastructural facilities in the State.

The buildings constructed under the above scheme included a women's hostel for 50 inmates in CTE, Pudukkottai, built at the cost of Rs.12.43 lakhs in September 1991 which remained unoccupied as of May 1996. The Commissioner of Collegiate Education (CCE) stated (April 1996) that the CTE, Pudukkottai was meant for men only, and was not a co-educational institution; and that the hostel constructed with a view to accommodate women teachers would be utilised, when in-service training programmes are taken up for women teachers during 1996-97. The reply was not tenable, as the existing institution was not a co-educational one and there was no necessity to construct the women's hostel, when two hostels for men students were already existing. Thus, due to non-conversion of the institution into a co-educational one, the women's hostel constructed at the cost of Rs.12.43 lakhs remained unutilised for more than 4 years.

The matter was referred to Government in June 1996; reply had not been received (December 1996).

3.4 Infructuous expenditure on pay and allowances to staff

An Extension Service Centre (Centre) for imparting in-service training to teachers in teaching methodology by way of refresher courses had been functioning in the Institute of Advanced Study in Education (IASE), Chennai since 1956. The staff for the Centre consisted of a Co-ordinator, a Junior Assistant, a Driver and an Office Assistant. Contingent expenditure of Rs.8,000 per annum had also been sanctioned by Government every year, for conducting in-service training programmes, by engaging faculty members from outside on payment of honorarium.

No training programme had been conducted by IASE since July 1993, as no funds were allotted to meet the contingent expenditure. The pay and allowances of the Staff of the Centre were, however, ordered by the Commissioner of Collegiate Education (CCE) in June 1993 to be debited to office expenses head of account of IASE. Despite the repeated request of the Principal, IASE to the CCE in July 1993, September 1993, December 1993 and July 1994 for allotment of funds (Rs.8,000) under contingent expenditure, funds were not provided. The Principal, IASE was directed in August 1994 to hand over the jeep of the Centre to the Commissionerate, in view of the non-functioning of the Centre and the jeep was handed over in December 1994 along with the driver. The Principal, IASE stated in January 1996 that though the services of the Junior Assistant, Driver and Office Assistant were utilised for other items of work, the services of the Co-ordinator could not be utilised for want of work. When the Principal, IASE offered to surrender all the posts of the

Centre in September 1995, the Commissioner asked the Principal in November 1995 to send a detailed proposal for reviving the training programme. Though the proposals were sent in November 1995 itself, orders of the Commissioner were awaited (February 1996).

Thus, the failure of the department, either to provide funds for conducting the training programme or for taking timely action for closure of the Centre and redeployment of staff, resulted in infructuous expenditure of Rs.3.20 lakhs towards salary of the Co-ordinator alone for the period from July 1993 to February 1996.

The matter was referred to Government in April 1996; reply had not been received (December 1996).

HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT

3.5 Blocking of Government funds and delay in establishment of Co-operative Spinning Mills

Based on the proposals (December 1993) of Commissioner of Handlooms and Textiles (CHT), Government sanctioned in March 1994 Rs.3.79 crores, including the share of Government of India (GOI) (Rs.1.89 crores) for the modernisation of five* Co-operative Spinning Mills (CSM) during 1993-94 under Centrally Sponsored Market Development Assistance programme. Government also authorised CHT to draw and disburse the amount to CSMs concerned. However, the entire amount of Rs.3.79 crores was released in March 1994 to the Salem District CSM with instructions to credit the amount in the mill's accounts and to make payments to respective CSMs only after receipt of specific instruction from CHT. Details of machinery to be replaced and to be purchased afresh for these 5 spinning mills had already been identified by CHT and indicated in his proposal of December 1993 to Government.

The Central Purchase Committee (CPC) under the Tamil Nadu Textile Corporation (TNTC), Coimbatore which was responsible for purchase of machinery for the CSMs did not take any action to purchase the machinery till December 1994.

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* South India CSM at Pettai, Pudukkottai CSM at Aranthangi, Misereor CSM at Thoppur, Salem District CSM at Salem and Bharathi CSM at Ettayapuram.

Although the South India CSM, Pettai (One of the identified CSMs) had requested (March 1994) CHT to advise Managing Director of TNTC, Coimbatore for placing orders for the required machinery and equipment, CHT did not take any action in this regard.

CHT clarified only in July 1995 that consequent on formation of the Tamil Nadu Co-operative Spinning Mills Federation Limited (TANSPIN) from December 1994, purchase of machinery and spares had to be made by the Purchase and Finance Committee (PFC) of TANSPIN as the Government Order relating to the formation of TANSPIN superseded any similar committee functioning before it and ordered the PFC of TANSPIN to finalise purchase of machinery immediately. But, the meeting of the PFC of TANSPIN for purchase of machinery had not been convened so far (May 1996).

Thus, due to the above delays, the objective of modernisation of the selected CSMs had not been achieved as of May 1996 besides blocking of Government funds of Rs.3.79 crores outside Government account for more than 2 years.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

3.6 Defective construction of the House-*cum*-Workshed for Handloom Weavers

The State Government sanctioned in March 1989, Rs.25.60 lakhs (including the Central assistance of Rs.14.80 lakhs) for the construction of 512 House-*cum*-Workshed units in Chidambaranar District under the scheme for the construction of House-*cum*-Worksheds. The amount was released to 8 Handloom Weavers' Co-operative Societies (Societies) in April 1989. The Societies obtained a loan of Rs.49.90 lakhs (interest rate 7.5 *per cent* per annum) from HUDCO between July 1990 and June 1991. The construction of the units which was commenced in July 1989 and scheduled to be completed within 9 months had not been completed as of March 1996 due to certain defects noticed in the construction on account of inadequate depth of foundation owing to black cotton soil and poor quality of execution. As of March 1996, 496 units remained incomplete without plastering, flooring and want of sanitary facilities.

These defects were brought to the notice of Director of Handlooms (DH) by Assistant Executive Engineer in November 1989 while foundation was laid for 60 houses. DH had suggested in November 1989 certain changes in specifications such as use of cement mortar, instead of lime, increase in depth of foundation and filling the foundation with sand. Despite the suggestion, the deficiencies pointed out already persisted in the construction of the remaining houses.

Accordingly, the cost of the units was revised to Rs.19,000 per unit in January 1990 by Commissioner of Handlooms and Textiles (CHT). The excess cost was to be met from contribution from the beneficiaries (Rs.1,820) from local bodies (Rs.1,000) towards cost of toilet and the balance cost was to be met by Government.

Between January 1990 and May 1992, only 16 units were fully completed and 496 units remained incomplete as of March 1996 (total cost : Rs.79.32 lakhs) as the contribution from the beneficiaries was not forthcoming. Further, inspection by Junior Engineer (Civil) of Directorate of Handlooms and Textiles conducted in January 1992 revealed that quality of rafters for roofing used in 22 of the units was sub-standard and required replacements. The attempts made by the department till August 1993 for completing the work by utilising the funds available (Rs.7.13 lakhs) under other schemes did not fructify as the funds were not sufficient. In August 1993, CHT proposed to Government for sanction of subsidy of Rs.50.64 lakhs, as a special case, to complete the scheme. In May 1995, Government sought for a revised estimate from Chief Engineer (Buildings), Public Works Department (CE (B) - PWD). The estimate was not prepared and sent to Government as of March 1996. However, PWD in March 1996 informed the department that carrying out of repairs to these units would not be economically viable and that fresh buildings be constructed after detailed soil tests.

Thus, due to defective construction and use of sub-standard material, the scheme of constructing 512 House-*cum*-Worksheds to handloom weavers could not be completed even after the lapse of more than 6 years, besides rendering the Government subsidy of Rs.25.60 lakhs (including the Central assistance of Rs.14.80 lakhs) unproductive.

In reply, Government generally accepted the facts in August 1996.

3.7 Unfruitful expenditure on Health Package Scheme for Handloom Weavers

With a view to ameliorate some of the health problems related to the profession of handloom weaving, Government of India (GOI) launched in March 1993, the "Health Package Scheme for Handloom Weavers". Under the sub-component of the scheme *viz.*, 'infrastructure for primary health care', Central assistance of Rs.1 lakh per centre was provided for creation of permanent infrastructure for housing 'Auxiliary Nurse-*cum*-Midwife' (ANM) Centre, Rural Health Centre, etc. Under the scheme, the State Government had to meet all the recurring expenses including expenditure on pay and allowances of medical personnel and cost of medicine. In February 1994, GOI released to the Government of Tamil Nadu (GTN), Rs.19 lakhs for establishment of 19 centres and the amount was paid in April 1994 to the 19 identified Handloom Weavers' Co-operative Societies (Societies) for construction of Primary Health Centres.

Construction of buildings for 19 centres was completed between January 1995 and December 1995 and 10 centres started functioning from May 1994 to December 1995. Other 9 centres could not be made functional for want of funds to meet recurring expenditure on pay and allowances of medical staff and for purchase of medicine. Four of these centres had approached Commissioner of Handlooms and Textiles (CHT) for allotment of funds (between July 1995 and June 1996) to meet recurring expenditure on staff and cost of medicine.

Despite stipulation of GOI that State Government was to meet recurring expenditure on medical staff and cost of medicine, CHT while releasing the assistance stipulated that recurring expenditure should be met by the Societies out of their Common Good Fund. CHT could not confirm whether consent of the societies were obtained before submitting the proposal.

Thus, due to non-provisioning of funds for meeting recurring expenditure, 9 Primary Health Centres had not been functioning to render medical assistance to Handloom Weavers. Expenditure of Rs.10.02 lakhs incurred on the creation of infrastructure of these centres remained unfruitful for nearly two years.

Government stated (August 1996) that clear instructions had since been issued to the Assistant Directors of Handlooms and Textiles to move local agencies like Panchayats, Lions Clubs and Non-Resident Indians to assist these centres for making them functional.

HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI; INFORMATION AND TOURISM; AND MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENTS

3.8 Publicity works, improvement works and purchase of furniture for the Eighth World Tamil Conference

In connection with the Eighth World Tamil Conference held at Thanjavur from 1 January, 1995 to 5 January, 1995, total expenditure of Rs.7.85 crores was incurred by Government during December 1994 to September 1995 on publicity works (Rs.2.56 crores by the Handlooms, Handicrafts, Textiles and Khadi (HHTK) Department), improving the infrastructural facilities (Rs.4.24 crores by the Municipal Administration and Water Supply (MA & WS) Department) and furnishing of 867 new flats constructed by the Tamil Nadu Housing Board with furniture and fittings (Rs.1.05 crores by the Tamil Nadu Tourism Development Corporation (TTDC) for accommodating delegates).

Records of the above three implementing departments/corporation were test-checked in audit (during February to May 1996) and the findings are discussed in the succeeding paragraphs.

(a) Publicity works

(i) A sub-committee headed by the Minister for Animal Husbandry was constituted in April 1994 to chalk out the programme for publicity arrangements. The first meeting of the committee was convened only in September 1994 and types of the works to be executed were decided in December 1994. The works, estimated to cost Rs.2.21 crores, included erection of various types of arches, printing and pasting of posters, tubelight arrangements, illumination of avenue trees with serial lights, etc. Value of each work exceeded Rs.25 lakhs and codal provisions required open tender system allowing one month time for tender response. But, in view of the limited time available, short tender procedure, allowing a time of not more than 10 days, was adopted. There was no response for the works relating to provision of tubelight and only one tenderer with no standing responded for illumination of avenue trees with serial lights. All the 4 tenders received for printing of wall posters were rejected due to high rates, lack of experience, inadequate data and non-presence of the tenderer. Due to limited availability of time for execution of works before commencement of the conference, the department resorted to nomination of contractors for the above works. Even the work relating to provision of arches was executed partly on nomination basis at rates higher than the accepted lowest tender. It was observed that the rate of Rs.8,784 per thousand fixed for printing of wall posters was higher than the valid lower offer of Rs.5,800 received in response to the short tender call.

Thus, due to the belated action of Sub-committee, Government could not ensure a favourable rate through competitive bidding.

(ii) All the works entrusted to the contractors were to be assessed scientifically with the help of the Public Works Department (PWD). Accordingly, the contractors were required to enclose certification of PWD, besides copies of photographs of each arch and hoarding. PWD could not check 64 (Rs.33.46 lakhs) out of 267 arches erected as these were removed even before inspection by PWD as the work orders did not stipulate any such condition. There were no supporting measurements. In the absence of any guidelines/schedule of rates, PWD could not correctly and directly certify the value of work done. Considering the "oddity" of location and the acute demand for labour and material, reasonableness of the value was "generally certified" in March 1995.

(iii) The quantity of works executed on nomination basis was far in excess of original estimates for erection of road arches (267 against 100 proposed) provision of tubelights (50,050 against 20,000) and illumination of avenue trees with serial lights in university campus (13,000 against 7,000). Further, no separate provision for generators was contemplated but payment had been made for hiring 410 generators for lighting arrangements. No records were made available to audit justifying the need for these additional quantities. In the absence of any independent measurement for these works, the genuineness of the additional quantities executed could not be ensured in Audit. There was no document to indicate actual engagement/provision of generators at site.

(b) Infrastructural facilities

An expenditure of Rs.4.27 crores was incurred on improvement of infrastructural facilities in Thanjavur town, the venue for the conference. However, 125 of these works valued Rs.1.39 crores did not serve the intended objective as these were executed only after conclusion of the conference.

(c) Furnishing of flats

(i) Government sanctioned an expenditure of Rs.98.99 lakhs in November 1994 and January 1995 as grants-in-aid to TTDC for furnishing the flats for accommodating the delegates. According to instructions of Government, TTDC was to hand over, after conclusion of the conference, the furniture to needy departments.

However, none of the sofa-sets (100 numbers : Rs.7.71 lakhs), dressing tables (100 numbers : Rs.3.43 lakhs) and rectangular tables (867 numbers : Rs.12.50 lakhs) was transferred. Further, 1,562 plastic moulded chairs (value : Rs.8.04 lakhs) out of 2,480 were not transferred despite the need for these chairs in Registration Department.

(ii) Furniture and fittings (value : Rs.59.42 lakhs) like mattresses, pillows, curtains, curtain rods, plastic buckets, etc. and other consumables (value : Rs.8.40 lakhs) like towels, cups and saucers, tumblers, etc. were reported to have been handed over by TTDC to Tamil Nadu Housing Board (TNHB) for equipping tenements accommodating the delegates. Information regarding final use of these articles after conclusion of the conference was not available. Records did not indicate of any action to recover the cost of furnishing from TNHB.

The matter was referred to Government in June 1996; reply had not been received (December 1996).

HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI; AND REVENUE DEPARTMENTS

3.9 Free supply of sarees and dhoties

Government decided (November 1991) to supply, free of cost, sarees and dhoties for the festival 'Pongal' from the year 1992 to rural landless agricultural labourers and those living below the poverty line in slums in urban areas. District Collectors (DCs) were requested to finalise lists of beneficiaries and to send them to Government before 30 November, 1991. The department was to procure sarees and dhoties from Tamil Nadu Handloom Weavers' Co-operative Society (Co-optex) and also from private manufacturers in view of the short span of time left and huge quantity to be purchased and supplied at taluk level. The distribution was to be commenced in the first week of January 1992 and completed before Pongal, 1992 (14 January 1992) through DCs under the overall supervision of Principal Commissioner and Commissioner for Revenue Administration (PC & CRA). The scheme was extended by Government for successive Pongal festivals i.e., from 1993 to 1996.

The total number of beneficiaries estimated by the department and approved by Government, total quantity of sarees and dhoties supplied by Co-optex and other parties and the number distributed were as under:

(In lakhs)

	Estimated by the Department		Number of beneficiaries approved by Government		Number supplied by Co-optex and others		Number distributed	
	Female	Male	Female	Male	Sarees	Dhoties	Sarees	Dhoties
Pongal								
1992	60.59	61.66	60.00	60.00	60.00	60.00	NA	NA
1993	84.77	82.49	60.00	60.00	60.71	61.23	60.72	60.63
1994	65.23	64.12	75.00	75.00	74.99	74.99	62.99	62.67
1995	62.67	62.09	65.00	65.00	51.04	50.08	62.67	62.09
1996	67.85	66.88	72.00	68.00	72.00	68.00	71.11	67.60

NA: Not available

It was observed from the records of PC & CRA that there were variations in the estimation of number of beneficiaries by the department, the number of beneficiaries approved by Government and actual beneficiaries reported as covered under the Scheme. This had resulted in accumulation of stock of 2.27 lakh sarees and 3.85 lakh dhoties costing Rs.2.38 crores as of May 1995.

Distribution was done based on the list prepared by DCs and approved by Government. Even after Finance Department had pointed out (February 1993) that there were only 40 lakh beneficiaries below the poverty line, the PC & CRA had not taken any action to review the list of beneficiaries prepared by DCs and ascertain its correctness.

Though PC & CRA observed in November 1993 that the excess stock of 77,143 sarees and 85,275 dhoties (cost : Rs.60.71 lakhs) after distribution for Pongal, 1993 was lying in the districts undistributed, he instructed DCs to distribute only the new stock to beneficiaries for Pongal, 1994 to avoid public criticism and to freeze the old stock available until further orders. No action was taken in the matter till January 1995 and the surplus undistributed stock also lost its quality. PC & CRA also reported (January 1995) that the supply received from one of the suppliers for Pongal, 1993 was of very poor quality.

Due to inadequate space in Taluk Offices, and fearing destruction of stock by white ants and rats, PC & CRA requested (May 1995) orders of Government for distributing the accumulated stock of 2.27 lakh sarees and 3.85 lakh dhoties to orphanages and destitute homes. Government ordered (September 1995 and November 1995) to distribute them to leprosy homes, old age homes, TB hospitals, homes for handicapped, blind, deaf and dumb and also to mentally deranged persons. Only 19,390 sarees and 43,932 dhoties were distributed to such homes as of

November 1995. PC & CRA requested (November 1995) orders of Government to include persons/units like those who had completed the courses conducted by 'National Literacy Campaign'; and by Agricultural Department for Farm Women, Government juvenile homes, prisons, etc., for distribution of old stock. Government accorded permission (June 1996) and the particulars of distribution made to these institutions were awaited (June 1996). However, as per the compiled reports of 17 districts available in the files of PC & CRA, 1.32 lakh sarees and 2.15 lakh dhoties were kept undistributed in 13 districts (June 1996).

Following observations are made in this regard.

(i) Though Government ordered (August 1994) that the residual stock of Pongal, 1994 should be taken into account and balance quantity required alone was to be purchased for Pongal 1995, the full required quantity was supplied to 4 districts (Dindigul-Anna, Dharmapuri, Ramanathapuram and South Arcot) based on their indents without deducting the available stock of 1994, which resulted in avoidable expenditure of Rs.1.28 crores being the cost of 1.67 lakh sarees and 2.10 lakh dhoties lying undistributed in these 4 districts.

(ii) PC & CRA directed (November 1995) DCs to distribute only such stock in good condition to the homes, etc. But, out of 0.54 lakh sarees and 0.70 lakh dhoties that remained undistributed (from Pongal, 1992 to Pongal, 1994) in 3 districts (Kamarajar, Kanyakumari and Ramanathapuram), 0.28 lakh sarees and 0.19 lakh dhoties (cost : Rs.17.81 lakhs) were reported as damaged and unfit for further use. Out of this, 10,000 sarees and 10,000 dhoties were distributed to orphanages and destitute homes in Kanyakumari District, which could not have served the intended purpose. Complete details of such damaged stock in the districts were not collected by PC & CRA (June 1996).

(iii) As of March 1996, 18,263 sarees and 18,063 dhoties were stated to be not accounted/shortages (cost : Rs.19.80 lakhs) in three districts (Chidambaranar, Nagapattinam and Perambalur) and 70,213 sarees and 22,413 dhoties supplied for distribution for Pongal 1996 were lying surplus in 3 districts (Madras, Madurai and Thanjavur). Of this surplus, 4,425 sarees alone were transferred to other districts and the remaining stock (cost : Rs.49.59 lakhs) was lying unutilised as of June 1996.

(iv) Population of Tamil Nadu as per 1991 census was 5.56 crores. Agricultural labourers (78.46 lakhs) and number of urban poor below poverty line (39 lakhs as per 43rd National Sample Survey) were only 21 *per cent* of the total population as per 1991 census. The target of 60 lakh females and 60 lakh males fixed under the scheme, thus, itself was high and actual number of beneficiaries under the scheme was well above that target of 120 lakhs (both females and males) during Pongal 1993-96 i.e., 1993 : 1.21 crores; 1994 : 1.26 crores; 1995 : 1.25 crores and 1996 : 1.39 crores. Government had also observed (November 1995) that nearly 40 *per cent* of beneficiaries under the scheme were ineligible, as per the report (June 1995) of the Department of Evaluation and Applied Research.

(v) For Pongal 1996, Government ordered (May 1995) procurement of 15 lakh powerloom sarees and dhoties. Two Weavers' Co-operative Societies and TNTC, Coimbatore sought revision of specification due to hike in price of yarn to match with the rates approved for Pongal 1995. Accordingly, Government ordered (May 1995) change in specification reducing length, width, reed and picks of the sarees and dhoties, as indicated below, subject to the Managing Director (MD), Co-optex, satisfying himself on the revision of specification based on technical requirements.

	Sarees		**Dhoties**	
	Original speci-fication	**Amended speci-fication**	**Original speci-fication**	**Amended speci-fication**
Reed (cm.)	122	122	142	122
Picks	36-40	32	48	46
Width (cm.)	115	109	127	114
Length (metres)	5	4.5	3.65	3.40

While accepting the request of the societies, Government did not examine the acceptability of amended specification of sarees and dhoties to beneficiaries and could have increased the prices retaining the original specifications. On the matter being referred to by the Director of Handlooms and Textiles, MD, Co-optex did not offer any technical comments. Instead, he was of the opinion that the Director of Handlooms and Textiles was competent to take a decision in this regard. The Commissioner of Handlooms and Textiles stated that Government Order was self explanatory regarding revision of specifications. He, therefore, ordered the MD, Co-optex to arrange immediate procurement of sarees and dhoties.

Accordingly, 12.56 lakh powerloom sarees and 11.25 lakh powerloom dhoties valued Rs.11.72 crores were procured by MD, Co-optex. These were lying undistributed because of shorter length and width and sub-standard specifications.

MD, Co-optex sought (September 1996) permission of Government to dispose of these stocks by calling for tender to avoid further financial loss and to reimburse the loss suffered in this connection. Final action in this regard was yet to be taken by Government (October 1996).

Thus, the purchase of powerloom sarees and dhoties with shorter length, width and sub-standard specifications had resulted in infructuous expenditure of Rs.11.72 crores besides incurring expenditure of Rs.1.31 crores towards interest on capital cost and storage charges by Co-optex during the period from November 1995 to September 1996 due to non-distribution of these stock.

(vi) Orders for distribution of sarees and dhoties to those not covered under the scheme were issued only for purposes of clearing the stock in contravention of the objective of the scheme.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

HEALTH, INDIAN MEDICINE AND HOMOEOPATHY AND FAMILY WELFARE DEPARTMENT

3.10 Non-utilisation of additional two floors constructed at Government Rajaji Hospital, Madurai

Based on the proposals submitted by Director of Medical Education (DME) in April 1989 and July 1989, Government sanctioned (July 1989) construction of 2 floors for accommodating an independent Operation Theatre and specialised clinics of the Ophthalmology and Vascular Surgery Departments over the existing Eye Block in Government Rajaji Hospital (GRH), Madurai at an estimated cost of Rs.54 lakhs. The proposal did not include the need for additional staff/furniture. Technical sanction for the work was accorded by Public Works Department (PWD) for Rs.59.40 lakhs during 1989-90. The work was completed in all respects by PWD (June 1994) at the cost of Rs.59.90 lakhs and was handed over to Dean, GRH in August 1995.

In the meanwhile, proposals for sanction of additional staff and furniture to manage the two specialised departments sent by Dean, GRH to DME in March 1993 and thereafter from time to time were not approved. Ultimately, Government deferred (June 1995) the proposals and requested DME to renew the same under Part II schemes for 1996-97. Staff proposals for Rs.6.76 lakhs per annum, resubmitted by DME in December 1995 were not sanctioned by Government (June 1996).

Government replied in August 1996 that electrical works and plumbing works were completed only in July 1995 and rest of the minor works were completed one by one after occupying the buildings in August 1995. The reply had to be seen in the light of the fact that Chief Engineer, PWD (Buildings) had stated in June 1994 that the buildings were complete in all respects, including the deviations from the original works, sought for by Medical Department.

Thus, the two floors constructed at the cost of Rs.59.90 lakhs (June 1994) for accommodating the two specialised departments *viz.* Ophthalmology and Vascular surgery, remained unutilised for the intended purpose for more than two years as of September 1996 postponing the attainment of the objectives, due to non-sanction of additional staff, furniture, etc.

3.11 Building/equipment remaining unutilised

Public Accounts Committee (1984-85) in its 33 Report (VII Assembly) recommended that proposals submitted to Government for providing medical facilities in hospitals should cover all aspects like requirement of buildings, ancillary equipment and staff for operation and maintenance of machinery, so that the equipment could be put to beneficial use right from their installation/ commissioning. Assurance was given by Government in August 1986 that the recommendation of the Committee would be followed in future. Non-observance of the above assurance in two hospitals is detailed in the succeeding paragraphs.

(i) Non-commissioning of steam laundry

Government sanctioned in November 1991 provision of a steam laundry in District Headquarters Hospital (DHH), Virudhunagar at the cost of Rs.50 lakhs. Administrative sanction for the work was accorded in March 1992. The work was completed by Public Works Department in May 1994 at the cost of Rs.55 lakhs (cost of equipment : Rs.37.93 lakhs and civil works : Rs.17.07 lakhs).

Neither the Director of Medical and Rural Health Services (DM&RHS) nor the Government considered the requirement and necessity for sanctioning staff to operate and maintain the steam laundry till August 1993; only when the work was nearing completion, Joint Director of Health Services (JDHS), Virudhunagar approached (August 1993) DM&RHS for sanction of staff. DM&RHS instructed JDHS, Virudhunagar in November 1993 to send proposals for sanction of staff with justification for each post and details of expenditure involved. The proposals were sent to DM&RHS in January 1994. In December 1994, after consolidating the requirements of 5 other hospitals*, where similar steam laundries were being installed, DM&RHS sought Government sanction for technical staff for each unit (Mechanical chargeman : 1 post, engine driver : 1 post, fitter : 1 post and cleaner : 1 post) and for purchase of furniture at the cost of Rs.0.50 lakh for each of these 6 hospitals.

Government in February 1995, instructed DM&RHS to furnish details of equipment purchased and total expenditure incurred for all the 6 hospitals. However, DM&RHS who addressed respective JDHS in March 1995 could not obtain the particulars as the work was in various stages of completion in the other 5 hospitals and the details were not forwarded to Government as of October 1995.

Meanwhile, on appraisal by PWD in March 1995 that the installation of the steam laundry at DHH, Virudhunagar was complete in all respects in May 1994 itself, Government instructed DM&RHS in May 1995 to take over the unit. The unit was not taken over as of April 1996 for want of technical staff. Thus, the steam laundry installed in May 1994 at the cost of Rs.55 lakhs in DHH, Virudhunagar was not put to beneficial use even after two years (July 1996) due to piecemeal submission of proposals and delay in sanctioning the staff required disregarding PAC's recommendations.

(ii) Building remaining unutilised

Government sanctioned (September 1988) construction of a 20 bedded family planning ward with operation theatre in first floor over the existing 36 bedded family planning ward in Chengalpattu Medical College Hospital (CMC), Chengalpattu. Estimates for executing the work at the cost of Rs.9.20 lakhs was prepared by PWD in April 1989 and administrative sanction was accorded by Government in March 1990. PWD commenced the civil works in October 1990 and completed the work in July 1993 at the cost of Rs.8.03 lakhs.

Necessity for providing a ramp for moving patients from the operation theatre to the wards was considered by CMC only after completion of the civil works in July 1993. Based on request of the CMC, PWD, in November 1993 prepared estimate for providing ramp at the cost of Rs.4.30 lakhs but it had not been constructed so far for want of funds. Proposal of the department sent to Government in October 1995 was also deferred for inclusion in Part II schemes for the year 1996-97. After repeated requests (August 1994, December 1995 and March 1996)

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* Dharmapuri, Erode, Nagercoil, Ramanathapuram and Sivaganga.

made by PWD, the building was taken over by the Department in May 1996, but electrical works on the first floor were not completed as of May 1996. CMC informed the DME (May 1996) that the building could be put to use only after the ramp was provided.

Thus, failure of the department to decide its requirement comprehensively in the first instance had resulted in the building constructed at the cost of Rs.8.03 lakhs remaining unutilised for more than 33 months.

The above points were referred to Government in April 1996 and July 1996; reply had not been received (December 1996).

3.12 Infructuous expenditure on pay and allowances of staff of a medical college

Pharmacy Council of India (PCI) issued notification in July 1992 directing Medical Colleges to follow Revised Education Regulations (RER), 1991 from the 1993 academic session. The RER, 1991 *inter alia* prescribed the method to be adopted for selecting candidates for admission to Diploma course in Pharmacy being conducted by the Medical Colleges. Though Director of Medical Education (DME) sought in May 1993 approval of Government for issue of draft Notification for admission to the course, Government approved the Notification only in September 1994 directing Government Medical colleges to select candidates according to RER, 1991 for admission to the Diploma course in Pharmacy from academic year 1994-95 onwards. The Government orders were communicated by DME in October 1994 to Medical colleges concerned. As part of the academic year was over, the Diploma course in Pharmacy under RER, 1991 was introduced from academic year 1995-96 onwards in the Medical Colleges concerned.

In view of the belated decision of Government, Diploma course in Pharmacy was not conducted for the academic years 1993-94 and 1994-95 in Thanjavur. The staff sanctioned and appointed for conducting the Pharmacy Course under old regulation were retained without any work. Though this aspect was specifically brought to the notice of DME in February 1994 itself by Dean, no action was taken for beneficial utilisation of the services of the staff*. Expenditure of Rs.10.62 lakhs incurred towards pay and allowances on the idle staff in Pharmacy Department during July 1993 to June 1995 was, thus, infructuous.

The matter was referred to Government in April 1996; reply had not been received (December 1996).

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* Professor-1, Assistant Readers - 2, Tutor - 1, Laboratory Supervisor - 1, Laboratory Technician - 1 and Basic Servants - 3.

3.13 Avoidable payment of penal charges by Tirunelveli Medical College Hospital

Dean, Tirunelveli Medical College Hospital (TMCH) requested (February 1985) Tamil Nadu Electricity Board (TNEB) to increase the contracted demand from 110 KVA. to 250 KVA. due to construction of new buildings for accommodating several departments[@] during 1980 and 1985. The increased demand was sanctioned by TNEB in December 1985, but was later cancelled in May 1988 due to non-payment of additional security deposit to TNEB. While according revised sanction in May 1988, TNEB wanted TMCH to complete the improvement works of the hospital first. When TNEB requested (July 1989) Dean to obtain a Safety Certificate from Chief Electrical Inspector to Government (CEIG), Dean asked (August 1989) PWD to obtain the Safety Certificate. PWD stated that as informed by CEIG in October 1994, no Safety Certificate was necessary for the additional contracted demand. The additional demand was given effect to in January 1995. However, non-requirement of the Safety Certificate was informed to Dean by PWD only in March 1995.

Pending sanction of increase in the contracted demand, penal charges for consumption of power, over and above the contracted demand of 110 KVA. was paid by Dean, which worked out to Rs.4.24 lakhs for the period from October 1985 to September 1996. Thus, failure on the part of the department to ascertain requirement or otherwise of the Safety Certificate and insistence of such certificate by TNEB, led to delay in getting the increase in contracted demand which resulted in avoidable expenditure of Rs.4.24 lakhs.

The hospital was also paying compensation charges to TNEB as the power factor fell below the permissible limit of 0.90 lag due to non-installation of suitable capacitors, which resulted in avoidable payment of Rs.1.27 lakhs for the period from June 1994 to September 1996.

Government generally accepted the facts and replied (October 1996) that the irregular demand by TNEB for safety certificate had resulted in the avoidable expenditure.

[@] Maternity block, Children's ward, Accident and Emergency ward, Intensive Care Unit, central air conditioning to the operation theatre and room air conditioners in the blood bank, Nurses training school and hostel, Multipurpose Health Workers training school and hostel, etc.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.14 Tamil Nadu Urban Development Project - Transport Component

3.14.1 Introduction

Tamil Nadu Urban Development Project is a World Bank aided Project implemented in the State from September 1988 with an outlay of Rs.632.55 crores. Though the programme was scheduled to be completed by September 1996, an extension of one year was given by World Bank. Implementation of 4 components[1] of the programme was reviewed in Audit during September 1994 to June 1995 and comments in respect of 3 components (Land Development (LAND), Slum Improvement Programme (SIP) and setting up of Municipal Urban Development Fund (MUDF) and its management) were included in Para 3.14 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1995 (Civil) Government of Tamil Nadu. Results of review of two components *viz.* Transport and Traffic Management Programme (TRAMP) and Pallavan Transport Corporation (BUS) are included in this review.

3.14.2 Organisational set up

Responsibility for planning, administration and financing of TRAMP and BUS was vested with a number of agencies as given below :

		Name of the Component	Implementing department/ agency of the Government	Administrative department
(i)	TRAMP			
	(a)	Roads and Bridges	Chief Engineer of Highways and Rural Works Department (HRW - TNUDP)	Public Works
	(b)	Accident Management and Emergency Medical Services (AMEMS)	Director of Medical Education (DME)	Health and Family Welfare (HFW)
	(c)	Traffic Management	Director General of Police (DGP)	Home
(ii)	BUS		Pallavan Transport Corporation (PTC)	Transport

Abbreviations used in this review are listed in the glossary at Appendix XV (Page 250).

1. Land Development (LAND), Guided Urban Development (GUD) Slum Improvement Programme (SIP) and Setting up of Municipal Urban Development Fund (MUDF) and its management.

An Empowered Committee (EC) with Chief Secretary as Chairman was constituted in April 1988 for taking policy decision on major issues. A Project Management Group (PMG) with Secretary, Housing and Urban Development Department as Chairman and Member Secretary of Madras Metropolitan Development Authority (MMDA) as *ex-officio* Secretary to PMG was formed as nodal agency to liaise with Government of Tamil Nadu (GTN), Government of India (GOI) and World Bank in all matters connected with the project besides to guide, co-ordinate, monitor and forecast the project expenses and to claim reimbursement of expenditure from World Bank.

3.14.3 Audit Coverage

Implementation of the above components was reviewed by Audit during September 1994 to June 1995 and information collected were updated during a review conducted in June and July 1996. Records relating to 1988-89 to 1995-96, maintained in Government Secretariat (Public Works; Health and Family Welfare; and Home Departments), offices of PMG, Chief Engineer, three Superintending Engineers (SEs) and six divisions of Highways Department - TNUDP, DME, CE (Buildings), Public Works Department (PWD), two divisions of PWD (Buildings), DGP and PTC were reviewed. Results of the review are contained in the succeeding paragraphs.

3.14.4 Highlights

- **Inadequate design and site-investigation, inadequate staff, inadequate planning of schedule for execution of work, non-acquisition of land in time and lack of co-ordination among various executing agencies resulted in cost over-run to the extent of 2 to 96 *per cent* in 16 works out of 36 works taken up.**

(Paragraph 3.14.5.2)

- **Despite introduction of a special clause in tender conditions in September 1991 to neutralise cost escalation, in 38 *per cent* of cases, the tender premium exceeded the maximum quoted rates, prior to adoption of this clause.**

(Paragraph 3.14.5.3)

- **Delays in approval of tender proposals by Government of Tamil Nadu resulted in extra liability of Rs.63.13 lakhs in 11 works on account of cost escalation.**

(Paragraph 3.14.5.4)

- **Failure of Government to finalise the tender for the work of 'forming the northern segment of inner ring road' within the validity period resulted in extra liability of Rs.1.59 crores.**

(Paragraph 3.14.5.5)

- **Defective evaluation of tender proposal of the work of widening of inner ring road in Chennai City resulted in extra liability of Rs.3.07 crores.**

(Paragraph 3.14.5.6)

- **Defective execution of agreement in respect of price variation clause for the work of widening of inner ring road in Chennai City resulted in avoidable extra expenditure of Rs.57.56 lakhs.**

(Paragraph 3.14.5.7)

- **Excess payment of Rs.1.14 crores in two works due to injudicious entrustment of substituted items of works at exorbitant rate, incorrect computation and inadmissible payment on price variation was noticed.**

(Paragraph 3.14.5.8)

- **Non-observance of standard specifications by Highways and Rural Works Department resulted in avoidable extra expenditure of Rs.57.85 lakhs.**

(Paragraph 3.14.7)

- **Injudicious decision to entrust additional quantity of jungle clearance work to the main contractor in two works resulted in avoidable expenditure of Rs.17.63 lakhs.**

(Paragraph 3.14.8)

- **Even after incurring an expenditure of Rs.2.06 crores on infrastructure for improving road service, two works could not be put to beneficial use due to non-completion of inter-related bridge/road works.**

(Paragraph 3.14.9 (i))

- Delays in shifting service utilities resulted in additional expenditure of Rs.53 lakhs towards cost escalation in construction of three road over bridges.

(Paragraph 3.14.12(a))

- Buildings constructed at the cost of Rs.1.74 crores for five casualty receiving stations and referral centre under the sub-component 'Accident Management and Emergency Medical Services' were not put to use due to non-provision of infrastructure. Sixteen vehicles procured at the cost of Rs.44.39 lakhs were kept idle.

(Paragraphs 3.14.17 (a) and (c))

- Non-completion of construction of 6 depots proposed under BUS component resulted in non-accrual of financial benefit of Rs.2.24 crores to Pallavan Transport Corporation. Failure of Government of Tamil Nadu to release funds to Pallavan Transport Corporation through budget provision and delay in discharging liability of Pallavan Transport Corporation towards a loan resulted in avoidable extra expenditure of Rs.2.57 crores on account of payment of interest at higher rates and interest tax, besides accrual of further liability of Rs.97.23 lakhs.

(Paragraph 3.14.18)

3.14.5 Transport and Traffic Management Programme (TRAMP)

3.14.5.1 Main objective of this component was to improve the identification and implementation of cost effective urban road and traffic management schemes through construction and improvement of roads, bridges, signals and pedestrian facilities with an initial outlay of Rs.100.30 crores (priced as on 1 October, 1987). This component had 3 sub-components *viz.* Road and Bridges Projects, Accident and Emergency Medical Services (AMEMS) and Traffic Management.

3.14.5.2 Road Project

World Bank approved 40 schemes[2] during October 1988 to February 1995 at an estimated cost of Rs.177.43 crores under this component. Against technical sanction of Rs.153.78 crores issued during December 1988 to July 1995 for 36 works, an expenditure of Rs.154.66 crores had been incurred as of March 1996.

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2. Widening and improvement of roads, provision of service roads, pedestrian facilities and cycle tracks, construction of causeways, bridges, road over/under bridges, forming of by-pass roads and installation of traffic signals.

Status of these works as of March 1996 under this sub-component was as indicated below :

Number of works for which administrative approval was given by GTN (during November 1988 to August 1995)	40 (Administrative cost Rs.150.04 crores)
Number of works taken up (during April 1989 to September 1995)	36
Number of works completed (during November 1991 to November 1995)	14 (Cost : Rs.55.17 crores)
Number of works not completed (on schedule 12; beyond schedule - 5; Tender finalised - 5)	22
Number of works not commenced (for want of approval of World Bank -1. Estimate to be revised - 3)	4

Test-check of records of PMG/CE relating to 34 works revealed delay of 3 to 71 months in according technical sanction (26 cases), 2 to 29 months in inviting tenders (7 cases) and 2 to 26 months in finalisation of tenders (29 cases). Main causes for the delay in execution of 36 works taken up were inadequate design and site-investigation, inadequate staff, inadequate planning of schedule for execution of work, non-acquisition of required lands before commencement of works and delay in acquisition of land due to lack of co-ordination between Highways and Rural Works (HRW) Department, service departments and land acquisition authorities, delayed execution of connected works like railway over bridge and relocation of electric lines, water supply pipe lines, sewerage lines by other agencies like Tamil Nadu Electricity Board (TNEB), Tamil Nadu Water Supply and Drainage Board (TWAD), etc. The inordinate delays resulted in cost over-run to the extent of 2 to 96 *per cent* in 16 works (9 completed works and 7 works in progress).

World Bank had repeatedly through their aide memoires commented that in all components, the top management of objectives had been weak which was hurting implementation and procurement, raising costs and diminishing benefits and quality of project-funded infrastructure and services. GTN was required to develop by December 1994 and implement by February 1995, proposals to strengthen PMG, Chief Management Committee (CMC) and management of implementation agencies. Records did not indicate any follow-up action in this regard.

3.14.5.3 System of tendering and award of contract

To make tenders more competitive, World Bank recommended (November 1990) for providing an escalation clause in tenders to compensate the bidders on account of increase in cost of labour, general materials, Petrol Oil and Lubricants (POL) and special materials from the closing date of tender and orders were issued accordingly by GTN in September 1991. Tender premium continued to be high and even exceeded the maximum quoted rates prior to adoption of escalation clause in 38 *per cent* of cases. Chief Engineer - Highways (CE(H)) had also observed that tender premium (52 *per cent*) for one work quoted under TNUDP was abnormally high as compared to same type of work executed in adjacent areas under National Highways Programme (24 *per cent*) and on re-tender, premium was reduced to 24 *per cent*. No action was taken by HRW Department for calling for re-tender in all the 9 cases wherein such high tender premium was quoted. It was observed that in 4 cases, re-tenders called for resulted in finalisation of tenders with lesser premium. Further, response for tender calls was also limited in 12 out of 22 tender calls as only 2 bidders participated out of 2 to 8 pre-qualified contractors. Considering poor response from the pre-qualified bidders, possibility of formation of cartel could not be ruled out. But, reasons for higher rate of tender premium as well as poor response for the works under TRAMP were not examined by PMG, HRW Department or GTN.

3.14.5.4 Finalisation of tender

GTN ordered in May 1982 that tender proposals should be evaluated within 22 days and in case where Government sanction was required, the tender should be finalised within one month from the date of receipt at Government level. However, in 22 works, there were delays of 2 to 26 months[3] in finalisation of tenders and one to 15 months[4] in approval of proposals by Government in 20 cases. The delays had resulted in extra liability of Rs.63.13 lakhs in 11 of these works on account of compensation for escalation in cost of labour, material, etc.

Main reasons for the delays were (a) inadequate staff to process the tenders; (b) defective evaluation of tenders by departmental authorities requiring further clarification/ rectification of tenders; (c) reluctance of World Bank to clear tender proposals due to persistent delay in execution of works already approved and due to delays in bid evaluation by Government; and (d) abnormal delay by Government in approval of the lowest evaluated tenders.

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[3]. 2 to 5 months - 3 cases. 6 to 10 months - 15 cases. 10 to 15 months - 2 cases. 16 months and above - 2 cases.

[4]. 1 to 5 months - 16 cases, 6 to 10 months - 3 cases. 10 to 15 months - 1 case.

3.14.5.5 Delay in finalisation of tender within validity period

Tenders were called for in June 1990 by SE, Chennai from 14 pre-qualified contractors for the stretch from kilometre (km.) 21/2 - km.25/6 in the work 'Forming the northern segment of Inner Ring Road (IRR) from km.17/5 to km.25/6 to meet Tiruvottiyur - Ponneri - Panjatti (TPP) Road at km.5/2 and improvement to TPP road from km.5/2 - km.4/6 in Chennai city' fixing the last date for receipt of tenders as 27 June, 1990. The lowest evaluated tender for Rs.3.05 crores with validity upto 23 December, 1990 was recommended (August 1990) to GTN by PMG. As the tender was approved by GTN only on 26 December 1990, the contractor failed to execute the agreement. Fresh tenders were invited in September 1991 and the lowest bid of another contractor for Rs.4.64 crores was approved in April 1992 by Government. The work which commenced in May 1992 had not been completed as of March 1996 and an expenditure of Rs.5.73 crores was incurred (March 1996). Failure to finalise the tender within the stipulated validity period of the tender resulted in avoidable extra liability of Rs.1.59 crores.

3.14.5.6 Defective evaluation of tender

The lowest competitive tender of a contractor for Rs.5.64 crores at 9.38 *per cent* above estimated value put to tender for the work of Widening of Inner Ring Road from km. 11/720 to km. 17/450 in Chennai city was recommended by CE (December 1991) for rejection on the ground of "Unworkable rates". But, World Bank did not agree (January 1992) to this proposal as no imbalances were apparent for substantial items. CE accordingly recommended (February 1992) the tender to GTN for acceptance. However, GTN requested (September 1992) PMG to approach World Bank for agreeing to invite fresh tender on the ground that the rate quoted was unworkable, that it was the first major work to the tenderer and in public interest. But, the request was declined (November 1992) by World Bank reiterating its earlier views. The work was finally awarded (November 1993) to the same contractor for revised value of Rs.8.71 crores as the validity of original offer had expired. As the lowest bidder had been successfully pre-qualified, the apprehension of Government regarding his capacity for execution being the first major work was not tenable. Thus, the defective evaluation of the tender proposal resulted in extra liability of Rs.3.07 crores.

3.14.5.7 Incorrect payment towards price variations

Revised offer of contractor 'A' for Rs.8.71 crores for executing the work "Widening the Inner Ring Road from km.11/720 - km.17/450 in Chennai city" (referred to at paragraph 3.14.5.6) was accepted by GTN in November 1993. While revising the offer, the contractor agreed for operation of price variation from the date of revised offer (*viz.* 28 January, 1993). But, in the agreement executed by SE in

November 1993 and the subsequent addendum on 29 April, 1995, effect of price variation clause was given from the closing date of original tender (31 July, 1991) instead of from the date of revised offer. The work, which commenced in January 1994, was in progress. The defective execution of agreement had resulted in an avoidable liability of Rs.65.92 lakhs towards price escalation. No responsibility was, however, fixed on any official in this regard. The extra expenditure incurred on this account upto June 1996 worked out to Rs.57.56 lakhs.

3.14.5.8 Execution of works - Overpayment to contractors

Audit scrutiny revealed overpayments amounting to Rs.1.14 crores in two works due to incorrect computation and inadmissible payment for price variation as detailed below:

(a) Construction of bridge at km.2/2 across Adyar river in Chennai

For the superstructure of a bridge at km. 2/2 across Adyar river under this work, the agreement contemplated pre-tensioned pre-stressed concrete beam. However, during the course of execution of the work, the contractor proposed (July and August 1992) construction with post-tensioned pre-stressed concrete beam at no extra cost. Revised design was approved by CE(H), TNUDP (October 1992) subject to the condition that no extra cost would be paid on account of changes and that the rates for capping the beam and bearing would be the same as specified in the contract. Though size and shape of the capping beam did not undergo any change, quantities of major items of work like concrete PCC beams, supply and fabrication of high tension (HT) strand and mild steel were considerably reduced. According to the actual quantities executed as per revised design, the amount payable for these works was Rs.1.07 crores. But, payment was made for Rs.1.59 crores for the quantities contemplated in original design resulting in overpayment of Rs.52.56 lakhs.

Intermediate payments made for the above work included escalation in cost of steel and cement with reference to market rates prevailing then. In the running account bill (RAB) paid in October 1994, covering payment for regularising the payment for lumpsum amount of Rs.1.59 crores, escalation charges for mild steel had been computed as Rs.34.78 lakhs even though escalation charges, aggregating Rs.22.47 lakhs payable on mild steel utilised for the whole work including superstructure had already been included in the earlier RAB paid between July 1993 to October 1994. The incorrect computation had resulted in overpayment of Rs.12.31 lakhs to the contractor. Similar excess payment of Rs.5.53 lakhs was observed in respect of HT strand and cement.

Sub-works relating to provision of permanent MS linear for piles and anti-corrosive treatment to reinforcements were awarded to the main contractor of the above work as additional items through supplemental agreement executed in May 1994. Rates for the above two sub-works were accepted in May 1992 at the rates quoted by the contractor in April and May 1992. Neither the supplemental agreement nor the offer of the contractor contemplated payment for escalation except for 6 mm thick MS plates above Rs.13,000 per metric tonne (MT). However, while computing the escalation in respect of general materials, labour, POL, increase had been allowed for quantities covered by the Supplemental Agreement also resulting in overpayment of Rs.9.03 lakhs to the contractor.

Escalation charges for cement and steel were not restricted to actual requirements as per the specification in the agreement resulting in overpayment of Rs.4.29 lakhs in the above work.

Tender schedule as well as agreement for the above work contemplated use of ordinary cement and basic rate was stipulated as Rs.2,040 per MT. However, the contractor was allowed to use super grade cement and it resulted in increased escalation.

In respect of HT strand and MS plates in the above work, due to payment of escalation on prices inclusive of taxes instead of prices excluding taxes as required under the agreement, there was excess payment of Rs.5.66 lakhs.

(b) Improvement to Tuticorin - Tiruchendur Road in Tuticorin

According to agreement for the work, the contractor was eligible for price variations in cost of labour, material, POL, etc. after 12 months from 17 August, 1990 (the date of closing of the tender). Base cost indices of prices would be those ruling on the date, 12 months subsequent to closing date of tender. Further, if 30 days prior to the latest date for submission of tender, there occur any changes due to legislation or ordinance, the contract price be adjusted accordingly.

In November 1991, the contractor demanded payment of escalation in cost from the closing date of tender stating that due to Gulf war, a surcharge of 25 *per cent* was levied by GOI on petroleum products through an ordinance in October 1990. The request of the contractor was accepted and payment made accordingly allowing escalation charges on fuel, labour and material from the closing date of tender. It was observed that as the ordinance related to increase in cost of petroleum products only, for which the increase had been neutralised from the closing date, escalation charges in respect of labour and general material would be payable only after 12 months i.e. 17 August, 1991. The irregular payment, disregarding tender conditions, resulted in excess payment of Rs.11.26 lakhs to the contractor.

While computing escalation charges for August 1992 for bitumen and cement, current prices had been adopted as Rs.4,717.16 per MT and Rs.2,420 per MT, including taxes, as against the prevailing selling rates (including taxes) Rs.3,873.43 per MT as certified in respect of bitumen and Rs.2,200 per MT for cement by IOL/TANCEM. The incorrect computation resulted in excess payment of Rs.13.07 lakhs.

3.14.6 Irregular payment to the contractor

For two works[5], while granting extension of time for completion, Divisional Engineer (DE) rejected persisting (till April/August 1992) claims of the contractors for escalation in cost as baseless. However, on reported re-examination (at the instance of SE in one case), DE recommended the claims for escalation in January 1993/November 1992 which were approved by SE and payments made accordingly to the extent of Rs.77.62 lakhs. No reasons were recorded for reversal of the decision. The sanctions of SE were not acceptable to CE as it had conferred unintended benefit to the contractors. The irregular payments were yet to be recovered.

3.14.7 Avoidable extra expenditure

An avoidable extra expenditure of Rs.57.85 lakhs in respect of 31 works test-checked was noticed due to non-observance of the standard specifications by HRW Department as detailed below:

(a) The work of "Improvement to Ukkadam by-pass road, Coimbatore" involved improvement to existing pavement, besides widening the road to a width of over 12.2 metres with carted earth. The widened portion of the road was designed for a pavement thickness of 690 mm. taking into account the California Bearing Ratio (CBR)[6] value of the sub-grade of the road at four. However, as sub- base was provided with carted earth with CBR value of not less than 5, the pavement thickness of 670 mm. required as per Indian Road Congress (IRC specification 37/1984) would have been sufficient. The execution of pavement for a thickness of 690 mm. had resulted in extra expenditure of Rs.9.60 lakhs.

(b) The work of "improvement to Marmalong Bridge to Irumbuliyur Road from km. 6/0 - km. 21/2", involved widening of the pavement of the road and strengthening the existing carriageway. Based on assessed traffic range of 912 commercial vehicles per day and technical requirements under IRC specification

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5. (i) Widening and strengthening the existing road of NH 45 from km.12/4 to km.15/4

(ii) Widening and strengthening the existing IRR from km.8/615 to km.11/720.

6. The ratio expressed in percentage of the strength of the sub-grade soil on which the road has to be laid to the strength of a standard material kept for the purpose.

37/1984, semi-dense carpet (SDC) of 20 mm. would be sufficient along with other types of layers for achieving the extra thickness of pavement required. However, SDC had been provided for 25 mm. thickness resulting in extra expenditure of Rs.12.34 lakhs in respect of reaches km.6 to km. 11 and km.14 to km. 21.

(c) The work "Widening of six lanes including strengthening the existing carriageway in km.12/4 to km.15/4 of National Highways 45" was designed for 27 million standard axle (MSA) capacity with overlay on existing carriageway to a thickness ranging from 95 mm. to 110 mm. with Dense Bituminous Macadam (DBM) and asphaltic concrete (AC). According to standard specification laid by IRC specification 37/1984, a road designed for 20 MSA to 30 MSA should be provided with pavement of 100 to 115 mm. thick DBM and 40 mm. thick AC. But, the existing carriageway was strengthened with DBM to a thickness of 115 mm. and AC with 40 mm. thickness (total thickness of 155 mm.) as against the requirement of 110 mm. (maximum). Thus, laying of DBM for a thickness of 115 mm. as against the required thickness of 100 mm. contemplated in Ministry of Surface Transport (MOST) specification resulted in an avoidable expenditure of Rs.14.11 lakhs.

(d) Specification for Water Bound Macadam (WBM) work issued by IRC, MOST in its second revision in February 1988 envisaged reduction in quantity of blindage material by 0.12 per cubic metre for every cubic metre of finished item of WBM compared to the provision of earlier specification. Failure of the HRW Department to adopt the revised specification for WBM work while preparing the estimate and tender schedule had resulted in an avoidable extra expenditure to the project of Rs.11.15 lakhs in respect of 16 works in 6 divisions.

(e) Specification for the work of widening and improving Tuticorin-Tiruchendur road from km.1/4 to km.8/4 provided for formation of embankment in the widened portion with earth obtained from berm and shoulders of the existing road. Soil test conducted (May 1991) by HRW Department confirmed the suitability of the soil for formation of embankment. However, only 7851.68 cu.m. out of 18737.54 cu.m. of earth excavated was utilised and the balance requirement was met with carted earth valued Rs.17.12 lakhs.

According to clause 4.1.3. of IRC specification 37/1984, a capping layer of 15 cm. thick sand blanket is necessary over the subgrade in case the CBR value of subgrade soil is less than 2. But, HRW Department had provided in the above work a sand blanket of 15 cm. thickness with river sand having CBR value 10 for the entire reach besides an additional layer of 15 cm. thickness between km. 4/0 and 6/6 even though the entire subgrade and shoulders were formed with carted earth having CBR value of greater than 10. The extra layer of sand blanket provided by HRW Department for a value of Rs.4.33 lakhs (Quantity 5412.23 cu.m.) was superfluous and avoidable.

(f) Extra expenditure of Rs.6.32 lakhs was incurred on 11 road works due to smoothening of exposed concrete surfaces, though this was not provided in the specification of MOST and such work was not allowed by the department earlier.

3.14.8 Avoidable extra expenditure on additional items of work

While technically sanctioned estimate of the work "Formation of Northern Extension of IRR from km.17/5 to km.25/6 to meet Tiruvottiyur - Ponneri - Panjatti Road at km.5/2 and Improvement to TPP road from km.5/2 to km.4/6" provided for clearing light jungles for a quantity of 71,400 sq.m., actually a quantity of 1.96 lakh sq.m. was executed through the main contractor at the rate of Rs.15 per sq.m. against the departmental rate of Re.0.85 per sq.m. According to CE (May 1993), additional quantity of jungle clearance could have been executed independently either by the department or through separate agencies. But, SE had entrusted the work to the main contractor without any consideration for economy. This resulted in avoidable extra expenditure of Rs.17.63 lakhs.

3.14.9 Unfruitful expenditure

(i) Infrastructure created at the cost of Rs.2.06 crores under the works (a) "Widening IRR in Chennai city km.8/615 to km.11/720 including widening the bridge at km.8/8" and (b) "Forming of by-pass road at Tirunelveli including construction of a bridge across the river Tamiraparani" could not be put to beneficial use for over two years due to non-completion of inter-related bridge/road works though an expenditure of Rs.5.02 crores had been incurred upto March 1996 on the incomplete works.

(ii) The work of "Improvement to Tiruchendur road at Tuticorin" was sanctioned (October 1990) for Rs.3.05 crores to minimise the traffic congestion on the road and to increase the level of service by widening the bridge and the road. The road portion was completed in March 1993 at an expenditure of Rs.3.31 crores. The widening of bridge portion could not be taken up as it was found to be weak and needed to be re-constructed. Non-completion of the bridge work proved to be a bottleneck affecting free flow of traffic.

3.14.10 Defective execution of work

The works on widening and strengthening of IRR km.0/0 to km.4/475, km.4/475 to km.8/615 and km.8/615 to km.11/720 were completed in September 1993, November 1993 and December 1992 respectively at the cost of Rs.7.57 crores. After inspecting these works in August 1992, World Bank Mission observed that quality of execution of work was poor. Director, Highways Research Station (HRS) who was required to test the work confirmed (May and July 1993) deficiencies, both in total thickness of pavement and individual layers, poor quality of binding material used, inadequate surface drainage and uneven level of pavement surface etc. The test report indicated lack of adequate supervision by departmental officers. The defects were rectified (October 1993) at an extra cost of Rs.19.46 lakhs in the reach km.8/615 to km.11/720.

3.14.11 Avoidable payment of shifting charges

While according permission to service departments or private firms for laying pipelines across road, Highways Department specifies a condition that when any improvements on roads are carried out subsequently, the service departments/ private firms should remove pipelines at their cost. Failure to stipulate such a condition by the Chennai Corporation had resulted in avoidable payment of Rs.21.22 lakhs to Government in getting pipelines of Indian Oil Corporation (IOC) shifted which fell in the alignment of Road Overbridges (ROBs) proposed to be constructed in North Beach Road at Royapuram.

3.14.12 Lack of co-ordinated action from service departments

(a) Test-check of records disclosed that delays on the part of service departments like TNEB, etc., in shifting service utilities resulted in grant of extension of time for construction of 3 ROBs under the work of improvement of Pudukkottai Road and consequential additional expenditure of Rs.53 lakhs to the contractor towards cost escalation.

(b) Delay of over two years in obtaining permission of Railways for doing works on their land resulted in suspension (June 1992) of the road portion of the work of "Reconstruction of ROB at km.195/10 of Cuddalore - Chittoor road at Vellore" entrusted to a contractor in July 1991 at the cost of Rs.92.18 lakhs after incurring an expenditure of Rs.24.30 lakhs. When the contractor was requested (May 1994) after obtaining permission of Railways (March 1994) to resume the work, the contractor demanded termination of contract. The contract was terminated in February 1995 and the balance work of Rs.67.88 lakhs was entrusted to another contractor in September 1995 at the cost of Rs.1.07 crores. The extra liability would be Rs.38.92 lakhs.

(c) The work of "Improvements of Ukkadam by-pass road from km.0/0 - km.3/2 in Coimbatore" contemplated replacement of an existing level crossing with Railway Underbridge (RUB). Though the work of widening and improvement to the by-pass road was completed (June 1995) at the cost of Rs.3.15 crores, the work relating to RUB was yet to be taken up by Railways as estimate for RUB was yet to be approved by Government/World Bank. Because of this delay, estimate for RUB and formation of approaches had to be revised to Rs.4.89 crores as against lumpsum provision of Rs.1.37 crores in the original estimate. World Bank had indicated (September 1994) that economic viability of RUB would need independent scrutiny. Due to non-construction of RUB, the objective of free flow of vehicles and avoidance of delay near the level crossing due to frequent closure of railway gate could not be achieved even after spending Rs.3.15 crores.

3.14.13 Unauthorised payments

According to Section 17 of the Indian Telegraph Act (Act) 1885 and clarification issued by the Ministry of Law of GOI, Telecommunication Department was required to bear cost of shifting of cables, posts or any installations due to widening or improvement of road. However, in contravention of provisions of the Act, HRW Department had made an advance payment of Rs.51.79 lakhs to Telecommunication Department during 1990-91 to 1994-95 for shifting cables and other installations in 13 works.

3.14.14 Unintended benefit to Tamil Nadu State Construction Corporation

According to guidelines issued by World Bank, Tamil Nadu State Construction Corporation (TNSCC), a State Government Undertaking was to be treated on equal footing with other contractors. This condition was brought to the notice of GTN in January 1991. However, HRW Department paid to TNSCC in February/March 1993 work advances aggregating Rs.1.44 crores for three works, though such advances were not contemplated in the agreements. Due to non-resumption of work, the contract for the work of forming by-pass road in Tirunelveli was terminated in February 1996 and the work of widening the bridge across river Coovum at km.8/8 Inner Ring Road in Chennai city was terminated in March 1996. Work advance of Rs.80.48 lakhs and material advance of Rs.9.11 lakhs paid in the year 1993 had not been refunded by TNSCC (June 1996).

Liquidated damage of Rs.13.83 lakhs imposed on TNSCC for the work of forming by-pass road in Tirunelveli had not been levied (June 1996).

3.14.15 Advance payment

(i) Premature payment of advances to various implementing agencies for acquisition of land, construction of railway bridges, lighting arrangements, shifting of service lines etc., had resulted in locking up of project funds to the extent of Rs.7.62 crores for periods ranging from 20 months to 7 years as indicated below:

Name of Department/ agency	Name of work	Amount of advance pending (Rupees in lakhs)	Remarks
Revenue	Formation and improvements to Southern Sector IRR at Chennai	167.00	Payments made in March 1995 for land acquisition was not warranted as no demand or award had been received. Acquisition process at preliminary stages only (March 1996).
Defence	Widening NH 45 from km.12/4 to km.15/4	50.00	
Railways	Construction of ROB in Dindigul road, Madurai	88.14	Though advance was paid during August - November 1990, the work had not been started for want of approved design.
	Construction of RUB in Big Bazaar street, Coimbatore	150.00	Advance paid in January 1989. The work was yet to be started.
	Construction of ROB in Karur, Salem by-pass road, Trichy at km.0/4 Erode - Kangeyam Road	228.13	Paid during December 1991 and August 1994. Work commenced only in March 1996.
Corporation of Chennai	Providing lighting arrangements on 3 bridges at Royapuram, Guindy and Northern sector	31.57	Advances paid during November 1990 to January 1994 were premature as the bridge works were yet to be completed.
TNEB	Improvements to Marmalong bridge - Irumbuliyur Road	47.32	The advance was paid in August 1994 for shifting electrical posts, lamp posts, transformers etc. The improvement works had been completed even without the shifting.
	Total	762.16	

(ii) Scrutiny of records also disclosed that unutilised amount of Rs.74.48 lakhs was yet to be got refunded by various implementing agencies though 6 works for which advances were paid had been completed.

3.14.16 Evaluation of road projects under TRAMP component

Final report given (July 1995) to PMG on the study carried out on implementation of TRAMP by a consultant on the recommendation of World Bank for objective check on compliance of the scheme disclosed that basic project objectives were not achieved as evidenced by non/inadequate provision for foot path, lighting arrangements, plantation, traffic signals, bus bays, making roads for slow moving vehicle traffic and poor quality of construction and inadequate maintenance of completed works.

3.14.17 Accident Management And Emergency Medical Services

With a view to providing prompt medical aid to victims of road accidents in Chennai city, a proposal for a comprehensive scheme for Accident Management and Emergency Medical Services (AMEMS) was approved for Rs.5.56 crores by GTN in November 1990. Revised administrative approval for Rs.11.25 crores was accorded by GTN in July 1995 due to cost escalation and additional requirement. The scheme envisaged establishment of casualty receiving stations (CRS) at Government peripheral hospitals at Anna Nagar, K.K. Nagar, Tondiarpet and Perambur and at Government Hospital, Saidapet, strengthening of referral centres at 3 city hospitals (Government Royapettah Hospital (GRH), Institute of Child Health and Hospital for Children and Kilpauk Medical College Hospital), establishment of one Ambulance Training Institute at Government General Hospital with a vehicle and a Central Ambulance Training Organisation with 15 vehicles and establishment of wireless communication system. An expenditure of Rs.2.90 crores had been incurred upto March 1996.

(a) Casualty receiving stations and Referral centres (CRS)

Buildings for all the 5 CRSs were completed at the cost of Rs.1.32 crores and handed over to the department between September 1993 and January 1995. However, 4 of the CRSs could not be utilised for want of equipment and non-sanction of staff. The building at K.K.Nagar was not put to use due to non-sanction of requisite medical staff, non-installation of gas pipeline and non-provision of air-conditioning (A/C) facilities. Buildings for two referral centres taken up in February 1992 and July 1994 were yet to be completed. The referral centre (cost : Rs.41.55 lakhs) in GRH taken over in October 1993 could not be made functional due to non-installation of air-conditioners.

(b) Purchase of equipment

Though tenders for purchase of equipment were finalised in August 1993, no financial provision was made during 1993-94 as the buildings were not ready. Fresh tenders called for in September to November 1995 were also cancelled, reasons for which were not on record. Government stated in June 1996 that equipment would be procured through Tamil Nadu Medical Services Corporation.

(c) Ambulance Training Organisation and Ambulance Training Institute

Ambulance Training Institute was established at Government General Hospital, Chennai in January 1994 at the cost of Rs.33 lakhs. Sixteen vehicles, procured at the total cost of Rs.44.39 lakhs for the ambulance training organisation and the institute, were kept idle pending fitting of medical equipment, wireless equipment etc., in those vehicles. Proposals sent in April 1996 for purchase of equipment at the cost of Rs.97 lakhs were yet to be approved by PMG and Government (June 1996). Syllabus for ambulance training course was yet to be approved by Government.

Out of 12 posts of staff proposed as required for Ambulance Training Institute by DME in July 1990, GTN had sanctioned (June 1993) only 5 posts. Of these 5 posts, only 3 posts (one post of Professor, Assistant Professor and Nursing Tutor) were filled up during January 1994. Government stated (March 1996) that since the Training Institute had not started functioning, the staff were being utilised in Government General Hospital to the best advantage of the hospital. However, the objective of the establishment of ambulance training organisation envisaged under TNUDP was still to be achieved even after utilisation of IDA loan assistance of Rs.79.39 lakhs.

(d) Wireless Communication System

Location for the establishment of wireless communication system was identified only in March 1995. Administrative approval for the proposed building (Rs.10 lakhs) and equipment (Rs.30 lakhs) was awaited from Government (June 1996).

3.14.18 Bus Services

(i) This component envisaged, during the project period, procurement of 1909 bus chassis, building of bodies on 1822 chassis, construction of seven depots and 10 terminals. Physical achievements to end of March 1996 were, however, 1595, 1591 and 4 respectively at the cost of Rs.92.39 crores. The non-completion of construction of depots had deprived PTC of projected savings of fuel on garage run to the extent of Rs.2.24 crores.

(ii) As per the project agreement, GTN was required to provide funds to PTC through its provision. On the contrary, PTC was directed to obtain loan from Tamil Nadu Transport Development Finance Corporation (TNTDFC) for purchase of chassis. Only in January 1993, GTN took over the outstanding loan of Rs.20.20 crores (out of Rs.21 crores) and paid TNTDFC in March 1993. Though IDA assistance of Rs.20.30 crores was obtained as reimbursement during 1988-92, loan of TNTDFC was not discharged. Audit scrutiny disclosed that because of failure of GTN to provide requisite fund, additional expenditure of Rs.2.57 crores had been incurred by GTN towards differential rate of interest (TNTDFC charged rate of 16 to 16.5 *per cent* against GTN lending rate of 10.5 *per cent*) and interest tax. Further claim of Rs.97.23 lakhs on this account was also pending as of March 1995.

The above points were referred to Government in July 1996. Reply has been furnished (October 1996) in respect of sub-para 3.14.17 only. Government stated that the Administrative sanction for construction of building and for purchase of equipment for wireless communication system had been accorded in August 1996. The equipment and staff required for the CRS, the Ambulance Training Orgainsation and the Institute for Wireless Communication System would be provided before December, 1996.

INDUSTRIES DEPARTMENT

3.15 Appraisal of Memoranda of Understanding

Government of Tamil Nadu (GTN) entered into Memoranda of Understanding (MOU) with firm 'A' and firm 'B' during 1995-96 for establishing industrial units in Tamil Nadu. Audit scrutiny of records (June 1996) relating to these MOUs in the Industries Department at Secretariat and in the Offices of the Tamil Nadu Industrial Guidance and Export Promotion Bureau (Director - GUIDANCE), Madras Metropolitan Development Authority (MMDA), Tamil Nadu Industrial Development Corporation Limited (TIDCO) and State Industries Promotion Corporation of Tamil Nadu (SIPCOT) disclosed the following.

3.15.1 MOU with firm 'A'

MOU was entered into with the company by GTN in June 1995 for setting up the "Nylon 6,6" project at the cost of Rs.620 crores for manufacturing industrial yarn and fabrics. GTN was to make available immediately through SIPCOT 150 acres of land, at the cost of Rs.4.50 lakhs per acre, in its industrial complex at Gummidipoondi and additional 150 acres at mutually agreed cost. Power at concessional rate, and water (1 million gallons per day) to be made available by GTN.

Government was also to ensure expeditious clearance from State Pollution Control Board and from State Environmental Committee subject to the company adhering to the norms and conditions prescribed by the Pollution Control Authorities.

It was observed that the company had mentioned in its project profile that the project initially planned in Goa had to be moved out due to resistance from local people on account of environmental and political issues. Despite the departmental awareness of this information, records did not indicate indepth examination of environmental aspects, either independently or in consultation with the Pollution Control Board authorities before signing the MOU. Government stated (September 1996) that the project was to be established on the clear understanding that the clearance of State Pollution Control Board would be obtained before commencing production.

3.15.2 MOU with firm 'B'

MOU for establishing a project for the manufacture and sale of vehicles was signed with firm 'B' on 3 January, 1996. According to the MOU, Government was to provide 346.74 acres of freehold land at Maraimalai Nagar, fully developed with on-site infrastructure like site-levelling, drainage, roads, street lights, etc. and off-site infrastructure which included construction of permanent roads including a passage over/under National Highway 45, potable and dedicated industrial water supply, supply of electricity, adequate arrangements for disposal of sanitary and industrial waste, railway siding, etc. These facilities were to be made available within a set time-frame ranging from 8 months to 30 months. Besides, existing fiscal incentives available for a new industry and special incentives available for "Super Mega Projects" (with minimum investment of Rs.1,500 crores) were to be extended to firm 'B'. Specific incentives like reduction of Central Sales Tax from 4 *per cent* to 1 *per cent* and waiver of sales tax on certain inputs were also to be allowed. In the event of the firm 'B' carrying out a substantial diversification/expansion (meaning augmentation of the installed capacity/turn over by 15 *per cent*), the investment made on such substantial expansion/diversification would qualify for above fiscal incentives.

Firm 'B' on its part was to pay Rs.30 crores towards land cost and set up facilities at the site to manufacture 1,00,000 vehicles per annum and ensure all statutory clearances like Pollution Control Board Clearances, Environmental Clearance, approval of Town and Country Planning authorities, etc.

The MOU would be effective till such time as all the obligations undertaken by the parties under this MOU had been fulfilled.

Following observations are made in this regard.

(a) Final draft MOU was approved by Government on 25 December 1995. However, the MOU as signed on 3 January, 1996 was at variance with the approved version under several clauses. The modifications were reported to have been made at the instance of firm 'B'; but approval of Government for these modifications was still to be obtained. Implications of important deviations are discussed below :

(i) Clause 5

This clause, as approved by Government, envisaged a firm commitment towards the product *viz.*, "passenger cars", quantum of total investment of Rs.1500 crores and a time-frame of 5 to 7 years for such investment. However, signed MOU contemplated manufacture of 1,00,000 "vehicles" and was also silent about the quantum of investment and the time-frame for such investment. Consequently, firm 'B' had been made eligible for the fiscal incentives like sales tax, deferral/waiver for 14 years, extension for further 7 years, etc., applicable to "Super Mega Projects" without ensuring the firm to commit to invest Rs.1500 crores within the time-frame of 5 to 7 years for the projects. Substitution of the product of "Passenger cars" as "Vehicles" in signed MOU would lead to extension of concessions approved for passenger cars to all other vehicles also if manufactured, contrary to the intention of Government.

(ii) Clause 12

According to Clause 12 of Government approved draft MOU, concession pertaining to "Super Mega Projects" would be admissible only when the investment criteria (minimum investment of Rs.1500 crores) for such projects were fulfilled. However, in the signed MOU, not only such criteria had been dispensed with, but also the above concession as well as the specific concession of concessional Central Sales Tax of 1 *per cent* applicable for cars, jeeps and lorries/buses/vans were extended to cover manufacture of trucks also, which would otherwise have to be reckoned under the diversification clause (16).

(iii) Clause 16

Under this clause of draft MOU, Government envisaged a floor limit for incremental investment of Rs.500 crores over and above the investment committed for substantial expansion/ diversification. However, the signed MOU contemplated 15 *per cent* augmentation of installed capacity of 1,00,000 vehicles/turn over for extending concession contemplated for "Super Mega Projects". As a result, contrary to the intention of Government, with an investment of less than Rs.500 crores, firm 'B' would be entitled for incentive applicable for "Super Mega Projects" .

(iv) Power factor

Draft MOU approved by Government provided for levy of compensation charges, if the power factor of high tension (HT) service connections fell below 0.9. However, penal clause had been deleted in the signed MOU. As seen from the MOU, power factor during the construction and launch period would be in the region of 0.6 to 0.8 only. Accordingly, penal charges would be payable to TNEB and the liability on this account would fall on Government.

(v) Permanent electric supply

As per terms of approved draft, firm 'B' was to pay the entire cost of construction of 110 KVA line for the second alternative source and also for the additional 30 MVA transformer. However, the liability had been transferred to GTN according to the signed MOU. Cost of provision of above facilities had been estimated by TNEB in November 1995 to be of Rs.3.37 crores which was not brought to the notice of Government.

(vi) Railroad

According to clause 11 of the Annexure I of the signed MOU, GTN should offer all assistance and co-ordinate with railways and appropriate authorities to make available to the company broadgauge railway lines and siding at no cost to the company. But no such commitment towards cost was available in the draft MOU approved by Government. The deviation would cast additional liability on Government on provision of railway siding which had been estimated to be Rs.9.40 crores (April 1996). Railways had demanded a deposit of Rs.60,000 for conducting detailed survey for the siding.

(b) Project schedule

In terms of the MOU entered into, firm 'B' would implement the project by setting up proposed facilities for manufacture of 1,00,000 vehicles per annum. But, no time schedule had been contemplated for reaching the target. Under clause 21, the MOU would be in force till such time as all the obligations undertaken by the parties under the MOU had been fulfilled. Non-stipulation of a specific time schedule for fulfilment of the obligations by firm 'B' would render the life of the MOU indefinite. It was observed in this connection from the MOU, that all the obligations of GTN were time-bound.

(c) Non-consideration of full financial implication of Government obligations

Under the MOU, GTN was to provide various on-site and off-site infrastructure facilities including dedicated water supply, electric supply, road bridge, railway siding, biological treatment plants, flood protection measures. Though these works (excluding railway siding) were estimated to cost Rs.68.11 crores, the financial liability was not taken into account for negotiating the price of land. On the contrary, cost of land had been fixed at Rs.30 crores based on prevailing land cost of lakhs per acre fixed by MMDA for Maraimalai Nagar complex. Cost of permanent road had been estimated (February 1996) at Rs.1.23 crores.

(d) Unworkable commitment

The MOU also provided for flood protection measures which included lowering of the full tank level of Thirukatchiyur tank by 1.54 metres. Loss of storage was to be compensated by supply from Sittemanur tank and also by deepening the Thirukatchiyur tank. However, Chief Engineer, Irrigation had reported to Director - GUIDANCE in November 1995 that the diversion from Sittemanur tank would be feasible only by extinguishment of riparian rights by purchase of entire ayacuts covered by the Sittemanur tank. This aspect was not brought to the notice of Government before signing the MOU. The Irrigation Department had also reported in April 1996 that lowering of the retention level of Thirukatchiyur tank would not be feasible. Alternatively, the possibility of raising the platform level of the site sufficiently at Government's cost to avoid flooding was being contemplated.

(e) Injudicious waiver of Government's rights

As per clause 1(J) of Annexure I of the MOU, GTN would waive its right to re-acquire any of the land purchased by the Company as it was acquiring land in excess of its initial requirements to accommodate future expansion. However, according to sub-clause I, the company would have the unrestricted right to assign, sublet or sell all or any portion of the property to third parties. It was observed in this connection that a specific condition for according first preference to MMDA to purchase at original cost in the event the allottee desired to sell the sites allotted by MMDA, was being incorporated in the sale deed effected by MMDA. However, no such protective clause was adopted in the MOU. In view of the waiver of Government's right, utilisation of the land for purposes other than the expansion project of the company could not be ruled out.

(f) The present Government had proposed in June 1996 to renegotiate with the company.

Government stated (September 1996) that though there was failure to indicate in the signed MOU, details regarding the firm's commitment regarding investment and the time schedule therefor, such information were available in the project report given to Government of India. Government had also conceded that as the land cost of Rs.30 crores would cover only a part of the infrastructure, the additional cost would be borne by Government, as these would benefit neighbouring industries and habitations also. Efforts were also being made to make the firm bear cost of some of the infrastructure, though not provided for in the MOU. Government had also taken up the matter relating to lowering the level of the tank for renegotiation with the firm.

Fact remained that MOU signed was not the one which was originally approved by Government. Failure to conform the terms and conditions of the signed MOU to Government approved draft MOU and non-consideration of the full financial implications of Government's obligations had resulted in extension of unintended benefit to firm 'B', avoidable unwarranted financial burden to Government and injudicious extinguishment of Government's rights over land allotted.

LABOUR AND EMPLOYMENT DEPARTMENT

3.16 Injudicious purchase of vehicles

List of equipment prescribed in the syllabus for the trade "Motor Mechanic (Diesel)" training conducted in Industrial Training Institutes (ITIs) included a motor vehicle in running condition (diesel). A Centrally shared World Bank assisted Vocational Training Project (VTP), aiming at modernisation of machinery and equipment of ITIs was launched in the State from 1989-90. Directorate General of Employment and Training (DGET), Government of India, clarified in December 1992 that 'vehicle in running condition' stipulated for the trade of mechanic would imply old vehicles. Further, the vehicle contemplated for the trade was required to be procured out of State's resources, since old vehicles were not permitted to be procured under World Bank assisted project.

However, disregarding the above instructions of DGET, Director of Employment and Training, (DET), Chennai purchased in March 1994 under World Bank assisted VTP, 37 new lorries at the cost of Rs.1.42 crores for supply to 15 ITIs for conducting training in the trade of motor mechanic. The expenditure was (Rs.71.07 lakhs) partly met from unutilised portion of Central assistance received upto

1992-93. The vehicles were delivered to the ITIs in April - May 1994. When Government of Tamil Nadu (GTN), approached in June 1994 for reimbursement of remaining 50 *per cent* of the expenditure incurred on purchase of the new vehicles, the claim was rejected by DGET in December 1994 in view of the earlier clarifications. No orders were issued (February 1996) to charge the expenditure to State funds. DET instructed (December 1994) the ITIs to keep the vehicles unutilised. Additional Director General of Police was addressed in December 1994 for the feasibility of transferring these new vehicles to the Police Department as replacement for condemned vehicles which could be transferred to DET for the training programme. Director General of Police accepted the proposal in February 1995 subject to carrying out certain modifications to suit the department's requirement.

GTN issued orders in June 1995, approving the purchase of new vehicles as replacement for condemned vehicles in Police Department. Though Police Department took delivery of the new vehicles between October 1995 and December 1995, old vehicles in running condition were yet to be got identified and transferred to the ITIs. The practical training on running vehicles was continued to be imparted to the students in nearby workshops of Transport Corporations. The modifications (estimated cost : Rs.16.96 lakhs) required to be carried out in the vehicles transferred to the Police Department were yet to be carried out (February 1996).

Thus, Rs.1.42 crores was spent on injudicious purchase of 37 vehicles by irregular utilisation of Central assistance of Rs.71.07 lakhs.

The matter was referred to Government in April 1996; reply had not been received (December 1996).

PUBLIC DEPARTMENT

3.17 Avoidable interest payment due to defective budgeting

Government of Tamil Nadu sanctioned in December 1993 purchase of one Cessna Citation V ultra aircraft for their use through State Trading Corporation (STC) and authorised the STC to interact with bankers with a view to finalise a financing package for payment in instalments after an initial lumpsum down payment. Accordingly, STC finalised purchase of the aircraft at the cost of Rs.19.85 crores (inclusive of service charges of 2 *per cent* payable to STC) from Cessna Aircraft Company at USA. A financial package was also forwarded by STC for a five year term loan by State Bank of India (SBI) repayable in nine half-yearly instalments from the date of drawal.

On receipt of invoice from STC, Government sanctioned in October 1994 down payment of Rs.1.95 crores towards 10 *per cent* of the cost of the aircraft. The amount was paid to STC in December 1994 by drawing an advance from Contingency Fund.

As the loan package of SBI did not materialise due to non-approval by Reserve Bank of India, STC offered (June 1995) to provide a loan assistance of Rs.9 crores to meet part of 85 *per cent* cost of the aircraft which was ready for delivery. As the payment was to be made before 30 June 1995, Government accepted the offer and sanctioned on 27 June, 1995 the balance amount of Rs.7.60 crores. STC, after remitting 85 *per cent* cost, revised (30 June, 1995) its terms of offer for the loan which were not acceptable to Government. The loan of Rs.9 crores was repaid to STC in July 1995. The balance cost of the aircraft of Rs.99 lakhs was paid in September 1995. Interest amounting to Rs.11.39 lakhs for the period 30 June, 1995 to 27 July, 1995 was also paid in January 1996.

According to provisions of the Budget Manual, it is the duty of Budget estimating officer to see that provision for all expenditure that can be reasonably foreseen and does not constitute "New expenditure" is made in the annual estimate of expenditure. Sanction for the purchase of aircraft was accorded in December 1993 and approval of the Legislature for the purchase was obtained through a token provision in the first Supplementary Estimate in November 1994. The Legislature had been informed that the expenditure during the year would be met either through reappropriation of savings within the Grant or additional appropriation through Supplementary estimates. As the expenditure was a committed one and in the light of instructions in the Manual, adequate provision should have been made in the departmental budget estimate for the years 1994-95 and 1995-96. No provision had been made in the actual estimates and records did not indicate examination of the feasibility of meeting the expenditure with additional appropriation through supplementary demand/ reappropriation. It was also observed in Audit that a sum of Rs.14.17 crores had been surrendered under the Grant (42) in March 1996.

Thus, the defective budgetary exercise had resulted in avoidable payment of interest of Rs.8.21 lakhs taking into account the proportionate interest of Rs.3.18 lakhs earned under cash balance investment account.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

RURAL DEVELOPMENT DEPARTMENT

3.18 Employment Assurance Scheme

3.18.1 Introduction

Employment Assurance Scheme (EAS) was launched by Government of India (GOI) in October 1993 with a view to provide assured wage employment for 100 days to enhance purchasing power of most needy persons in backward areas of the country. The primary objective of EAS is to provide gainful manual employment during lean agricultural season to all able-bodied adults, especially targeted to the poor in rural areas. The secondary objective is creation of economic infrastructure and durable and productive community assets for sustained employment and development.

3.18.2 Organisational set up

In Tamil Nadu, the scheme was launched in October 1993 in 56 Revamped Public Distribution System (RPDS) blocks falling in 12 districts[1]. In December 1994, the scheme was extended to another 33 blocks (falling in 7 districts which included 3[2] additional districts).

Secretary, Rural Development Department of State Government was overall in-charge for implementation of the scheme. State's matching grants to implementing authorities were released by him. He also reported progress of the scheme to GOI.

Director of Rural Development (DRD) was responsible for monitoring and reporting progress of the scheme (at State level) to State Government.

District Collector who was also the Chairman of District Rural Development Agency (DRDA) was responsible for planning and sanctioning of works in the district. He was also responsible for ensuring provision of assured employment and reporting progress of implementation of the scheme in district to State Government/DRD.

Additional Block Development Officers (ABDOs) at the block level and the District level heads of offices such as Agricultural Engineering, Forests, etc. were implementing agencies. Monitoring of EAS was brought under the purview of the State Level Co-ordination Committee only in February 1995. District Employment Assurance Committees were functioning in districts.

Abbreviations used in this review are listed in the glossary at Appendix XV (Page 250)

1. Dharmapuri, Kamarajar, North Arcot - Ambedkar, Pasumpon Muthuramalinga Thevar, Pudukkottai, Ramanathapuram, Salem, South Arcot, The Nilgiris, Tiruchirappalli, Tirunelveli - Kattabomman and V.O. Chidambaranar.

2. Coimbatore, Dindigul - Anna and Tiruvannamalai - Sambuvarayar.

3.18.3 Audit Coverage

A review of the scheme, through test-check of records from the inception of the scheme in October 1993 to February 1996 was conducted by Audit during November 1995 to March 1996. Records relating to the scheme were examined in Rural Development Department of State Secretariat and in the office of DRD, Chennai. Records of 4 selected DRDAs (out of 15) and 19 Blocks (out of 89) were test-checked[#] These 4 DRDAs implemented EAS through 3[#] Town Panchayats, 5[#] Agricultural Engineering Divisions, 3[#] Forest Divisions, offices of one[#] Assistant Director of Sericulture, one[#] Assistant Director of Horticulture and 3[#] Non-Government organisations whose records were also test-checked.

Results of audit are contained in the succeeding paragraphs.

3.18.4 Highlights

- **In the four districts test-checked, `shelf of projects' was not prepared by Collectors. Even the annual action plans drawn did not contain information regarding adequacy of works allotted for generating the assured employment to registered workers for 100 mandays during lean agricultural season.**

(Paragraph 3.18.5)

- **Though utilisation of Rs.13.57 crores out of Rs.19.39 crores received during 1993-95 was reported by 4 District Rural Development Agencies test-checked, actual utilisation was only Rs.6.84 crores. Even after all the works identified had been executed, there was an unutilised balance of Rs.12.55 crores with the District Rural Development Agencies which indicated that physical and financial requirements were not arrived at based on the requirements of the blocks.**

(Paragraph 3.18.6.1)

#. (i) DRDAs - Kamarajar, Pudukkottai, Salem and Nilgiris; (ii) Blocks - Ayodhiapattinam, Coonoor, Gandarvakottai, Gangavalli, Gudalur, Karambakudi, Kariapatti, Kolli Hills, Kothagiri, Narikudi, Peddanaickenpalayam, Pudukkottai, Sattur, Sivakasi, Thiruvarankulam, Udhagamandalam, Valappadi, Vembakkottai and Yercaud; (iii) Town Panchayats - Alangudy, Karambakudi and Keeramangalam and (iv) Engineering Divisions - Agricultural Engineering; DPAP-Pudukkottai, JVVT - Salem and Virudhunagar and Soil conservation Schemes - Pudukkottai and Srivilliputhur, (v) Forest Divisions - Social Forestry, Salem and Interface Forestry Divisions I & II Salem; Assistant Director of Sericulture, Thanjavur; Assistant Director of Horticulture, Pudukkottai; and three Non-Government oganisations namely Tamil Nadu State Palmgur and Fibre Marketing Co-operative Federation Limited, Pudukkottai; Building Centre, Pudukkottai; and organisation for National Integration and Rural Development, Dindigul.

- In 20 blocks, out of 4,821 works taken up and completed during 1993-96, 75 *per cent* of the works (3,618) were executed during active agricultural season defeating the very objective of the scheme.

(Paragraph 3.18.6.3)

- Employment Assurance Scheme funds totalling Rs.30.30 lakhs including Rs.10.07 lakhs being the interest earned on deposits were diverted to other schemes during 1994-96.

(Paragraph 3.18.6.4)

- Though the scheme envisaged issuance of family cards to every family whose adults were registered for works under the scheme, out of 4.07 lakh persons registered, only 2.41 lakhs were issued with family cards. In 6 blocks test-checked, only 14,929 persons registered out of 78,125 were issued with cards. In 2 other blocks, cards were not issued to any of the 4,377 workers registered.

(Paragraphs 3.18.7.1 and 3.18.7.2)

- In 17 blocks, out of 4.81 lakh persons living below the poverty line, only 0.92 lakh (19 *per cent*) registered themselves for employment under the scheme, indicating poor response from rural workers.

(Paragraph 3.18.7.4)

- Three hundred and fifteen road works executed without metalling, at the cost of Rs.72.42 lakhs during 1993-96 in 4 districts test-checked resulted in non-creation of durable community assets. Further, 314 works such as maintenance of roads, repairs to school buildings, anganwadis and noon-meal centres were also executed in 10 blocks during 1993-96 at the cost of Rs.54.27 lakhs which did not result in creation of durable and productive assets.

(Paragraph 3.18.8.3)

- Despite the stipulation in Government of India guidelines for payment of minimum wages prescribed by State Government under Minimum Wages Act, workers engaged in construction works were paid lesser wages; the short payment worked out to Rs.1.04 crores in respect of 414 works executed by 18 implementing agencies during 1994-96 in 4 districts test-checked.

(Paragraph 3.18.9.1)

- **As wages payable for 7 hours of work prescribed under "Minimum Wages Act" were not proportionately increased to cover 8 hours of work under Employment Assurance Scheme, workers were underpaid to the extent of Rs.6.34 crores during 1993-96 in the State.**

(Paragraph 3.18.9.2)

3.18.5 Planning

Collector of the district was to obtain from heads of various implementing agencies by October every year, their blockwise plans for various works proposed to be taken up by them in the district in the current and succeeding years. On the basis of these details, the Collectors were to prepare a `shelf of projects' of productive works. The works included in the shelf of projects were to be such, which could normally be completed within a period of two years. Preparation of the shelf of projects should be finalised by December every year.

In all the 4 DRDAs test-checked, shelf of projects was not prepared by Collectors. Only annual action plans were prepared. The action plans did not contain information as to whether allotment of works to each block was sufficient to generate enough mandays to keep up the assurance of 100 mandays of work during lean agricultural season to workers who had registered their names under the scheme.

3.18.6 Financial performance

3.18.6.1 Release of funds and utilisation

Expenditure under the scheme was to be shared between GOI and State Government in the ratio of 80:20. The amounts of Central and State assistance released during 1993-94 to 1995-96 and expenditure incurred thereagainst were as under:

(Rupees in crores)

Year	Opening balance as on 1 April	Amount of GOI share released	State share released	Total funds made available	Expenditure as reported by DRD to GOI	Percentage of utilisation with reference to total funds made available for the scheme
1993-94 (I instalment)		2.80	0.70	3.50	3.19	91
1994-95 (including II instalment of 1993-94)	0.31	47.17	13.20*	60.68	74	
1995-96	15.18	84.10	14.92	114.20	75.81	66
Total		134.07	28.82	178.38	123.09	69

* Includes excess release of Rs.1.41 crores which was adjusted after 1995-96.

There was an unutilised balance of Rs.38.39 crores remaining with DRDAs as on 1 April, 1996. Specific reasons for retaining such huge unutilised amounts had not been furnished by the department. State's share amounting to Rs.4.70 crores was released only in April 1996.

Only the first instalment of Central assistance of Rs.2.80 crores for 1993-94 was routed through State Government by GOI. From the second instalment onwards, amount of Central assistance was directly released to DRDAs.

Expenditure figures and mandays generated as reported by the DRDAs/other implementing agencies were consolidated by DRD and were presented to State Government which in turn furnished progress report to GOI. It was noticed that in the 4 DRDAs test-checked, there were discrepancies between figures of expenditure reported by DRDAs and actual expenditure reflected in their accounts as detailed below:

(Rupees in lakhs)

	DRDA	Year	Funds released	Expenditure			
				As reported by DRDA to DRD	Actuals as per the accounts of DRDAs	Difference	Percentage
1.	Kamarajar	1993-94	31.25	24.77	4.63	20.14	435
		1994-95	350.00	179.55	157.39	22.16	14
2.	Pudukkottai	1993-94	25.00	24.60	3.34	21.26	637
		1994-95	425.00	425.57	191.17	234.40	123
3.	Salem	1993-94	31.25	29.60	Nil	29.60	-
		1994-95	831.25	452.91	269.01	183.90	68
4.	The Nilgiris	1993-94	25.00	12.00	Nil	12.00	-
		1994-95	220.00	208.00	58.83	149.17	254
			1938.75	1357.00	684.37	672.63	

Out of Rs.19.39 crores released to these 4 DRDAs, Rs.13.57 crores were reported to have been utilised. But, actual expenditure was only Rs.6.84 crores and Rs.12.55 crores remained unutilised with these implementing agencies. The difference between reported figure and actual expenditure was not reconciled by the DRDAs (September 1996). The difference was stated by DRD to be due to delay in preparation of bills for payment but inclusion of expenditure for the purpose of progress report given to GOI. In spite of implementation of all the schemes identified during the years 1993-94 and 1994-95, generating 5.23 lakh and 21.72 lakh of mandays, the expenditure incurred was Rs.6.84 crores only, clearly indicating that physical and financial requirements were not arrived at based on the requirements of blocks, resulting in Rs.12.55 crores being kept unutilised with the DRDAs/implementing agencies.

3.18.6.2 Delay in release of funds

There were delays in release of funds by the DRDAs to implementing agencies which ranged from 2 to 10 months in the four districts test-checked as detailed below .

(Rupees in lakhs)

	DRDA	Delay in release of funds			
		Over 2 months	Over 3 months	Over 6 months	Over 9 months
1.	Kamarajar	71.16	166.98	34.35	..
2.	Pudukkottai	99.65	258.33	104.83	22.13
3.	Salem	130.27	316.70	352.83	..
4.	The Nilgiris	25.00	34.00	60.00	36.00
	Total	326.08	776.01	552.01	58.13

3.18.6.3 Works executed other than in lean season

In three (Kamarajar, Pudukkottai and Salem) of the four DRDAs test-checked, the DRDAs released 48 *per cent* and 45 *per cent* of total funds released during 1994-95 and 1995-96 respectively, during active agricultural season and individually percentage of release of funds by the DRDAs during agricultural season ranged from 28 to 66. In 20 blocks[1], out of 4,821 works taken up and completed during 1993-96, 3,618 works (75 *per cent*) were executed during active agricultural season, outside the period of operation of the scheme, defeating the objective of the scheme.

3.18.6.4 Diversion of EAS funds

According to guidelines, EAS funds were to be kept in a separate Savings Bank Account with Post Office or with Nationalised Bank by DRDAs with a view to augmenting the scheme's resources. Interest earned on EAS account (Rs.10.07 lakhs) besides EAS funds (Rs.20.23 lakhs),were diverted as discussed under (a), (b) and (c) below:

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1. Alangudy, Ayodhiapattinam, Coonoor, Gandarvakottai, Gangavalli, Karambakudi, Keeramangalam, Kolli Hills, Kothagiri, Narikudi, Pudukkottai, Salem, Sattur, Sivakasi, Thiruvarankulam, Udhagamandalam, Valappadi, Vembakkottai, Virudhunagar and Yercaud.

(a) In Salem DRDA, interest earned on EAS deposits for the period upto March 1995 amounting to Rs.10.07 lakhs was transferred to another Central scheme (Jawahar Velai Vaippu Thittam (JVVT)) in October 1995 and utilised for purchase of centering sheets for use in construction of group houses.

(b) In Peddanaickenpalayam Block (Salem District), Rs.1 lakh was diverted to JVVT in September 1995. In Karambakudi Block (Pudukkottai District), Rs.3.60 lakhs in 1994-95 and Rs.5.22 lakhs during 1995-96 (upto December 1995) were transferred on various dates to Personal Deposit Account-I of the block kept with Government (PD-I Account); Rs.0.16 lakh (in October 1995) and Rs.0.25 lakh (in January 1996) were transferred to Special Self Sufficiency Scheme (SSS) Account (Local Fund Deposit IV) and Drought Prone Areas Programme Account respectively. The diverted amounts were not recouped (January 1996).

(c) In the Nilgiris DRDA, second instalment of Central share of Rs.80 lakhs, received in March 1995, was erroneously credited to JVVT Account by the DRDA. Out of this, Rs.70 lakhs were transferred back to EAS Account during December 1995 and the balance amount (Rs.10 lakhs) had not been transferred to EAS Account (February 1996).

3.18.7 Physical performance

3.18.7.1 Registration by Workers

Under EAS, persons above 18 and below 60 years of age, who were in need and sought employment had to register themselves in the Village Panchayats where they resided. Every family, whose adults were registered for works under the scheme, was to be issued with a family card. The family cards were to contain details of family members and the number of days of employment provided to registered persons.

Details of number of persons registered under the scheme, number of persons employed and number of mandays generated reported by the department were as under:

(In lakhs)

End of Year	Number of persons registered	Number of persons employed	Cumulative number of mandays generated
1993-94	NA	NA	10.96
1994-95	2.40	1.82	141.29
1995-96	4.07	3.88	211.35

NA : Not available.

Work-wise details of number of persons employed and mandays generated were not available with the Department. However, the employment generation figures were worked out by dividing total wages paid by minimum wage rate in force.

The department further reported that only 2.41 lakh out of 4.07 lakh persons registered were issued with family cards as of March 1996. But no targets were fixed by State Government.

3.18.7.2 During test-check, it was noticed that in 6 Blocks[2], family cards were issued only to 14,929 persons out of 78,125 persons registered, the shortfall ranging from 45 *per cent* to 96 *per cent*. In two blocks in the Nilgiris District, family cards were not issued to any of the 4,377 workers registered.

3.18.7.3 During the review, it was seen that no records at block level were maintained to watch the generation of assured 100 mandays of work to the workers, who were registered and provided with employment. Acknowledgements for issue of 14,929 family cards had not been obtained except in one block *viz.*, Kariapatti in Kamarajar District.

Test-check revealed that except in respect of 1,802 family cards issued to workers in Kariapatti Block, mention was not made in the family cards regarding number of days for which employment was given to each card holder.

3.18.7.4 In 17 blocks[3], out of 4.81 lakh persons living below the poverty line, only 0.92 lakh (19 *per cent*) registered themselves seeking employment under the scheme, which indicated that response to this scheme was very poor in rural areas. The response varied from 5 to 53 *per cent* of total persons living below poverty line in the four districts test-checked.

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[2]. Gudalur, Karambakudi, Kariapatti, Narikudi, Sivakasi and Valappadi under Nilgiris, Pudukkottai, Kamarajar and Salem DRDAs.

[3]. Ayodhiapattinam, Coonoor, Gandarvakottai, Gangavalli, Gudalur, Karambakudi, Kolli Hills, Kothagiri, Narikudi, Peddanaickenpalayam, Pudukkottai, Sattur, Thiruvarankulam, Udhagamandalam, Valappadi, Vembakkottai and Yercaud.

3.18.8 Provision of employment and creation of assets

3.18.8.1 The primary objective of the scheme was to provide gainful employment to rural poor. Hence, works taken up under the scheme were to be labour-intensive works, which had a ratio of wages of unskilled labour to equipment, material and other skilled work at not less than 60:40. Works requiring larger component of material (cement, steel etc.) were not to be sanctioned unless cost of material component was provided from other sectoral programme funds. It was, however, observed that out of 4,821 works taken up and completed by 24 implementing agencies in all the four DRDAs test-checked, percentage of wages paid to unskilled labour to actual expenditure was less than 60 *per cent* in respect of 861 works.

3.18.8.2 In four blocks[4] covered under EAS in the Nilgiris District, 11 material-intensive works such as construction of ground level reservoir, pump room, overhead water tanks, extension of pipelines, etc. were executed during 1994-96 at the cost of Rs.4.36 lakhs. The percentage of wages paid to unskilled labourers to actual expenditure in 8 out of 11 works ranged from Nil to 50. Reasons for taking up of these works under EAS were not furnished by the DRDAs(May 1996).

3.18.8.3 The secondary objective of the scheme was creation of economic infrastructure and durable and productive community assets for sustained employment. According to instructions of DRD (January 1990), road works which did not involve metalling should not be considered as durable assets. However, under EAS, 315 out of 555 road works involving merely formation and gravelling were taken up and completed in 11 blocks[5] in the four DRDAs test-checked at the cost of Rs.72.42 lakhs during 1993-94 to 1995-96.

Though, according to GOI guidelines, provision of employment under the scheme should result in creation of durable and productive assets, it was seen that repair to school buildings, anganwadis, noon meal centres and maintenance of roads were also undertaken under the scheme, which did not result in creation of productive assets. In 10 blocks[6] (3 DRDAs), 314 repair/ maintenance works were executed during 1993-96 at the cost of Rs.54.27 lakhs. As the above works did not result in creation of durable and productive assets, expenditure incurred on these works was irregular.

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4. Coonoor, Gudalur, Kothagiri and Udhagamandalam.

5. Ayodhiyapattinam, Gandarvakottai, Gangavalli, Kariapatti, Kolli Hills, Narikudi, Pudukkottai, Sattur, Sivakasi, Thiruvarankulam and Vembakkottai.

6. Gudalur, Karambakudi, Kariapatti, Kothagiri, Narikudi, Pudukkottai, Sattur, Sivakasi, Udhagamandalam and Vembakkottai.

3.18.9 Payment of wages

3.18.9.1 Short payment of wages

Initially, it was stipulated (October 1993) in GOI guidelines that wages paid to workers under EAS should be the minimum agricultural wages for unskilled labour prescribed by State Government concerned. Subsequently, in June 1994, GOI amended the above provision and stated that the wages for a category of employment was to be the same as notified for the relevant schedule of employment under the Minimum Wages Act (MW Act). Where the minimum wages were not notified under MW Act for any category of employment, payment might be made at rates at which payment for similar categories of employment was being made by State Government Departments such as Agricultural Engineering, Public Works, Irrigation, Forests, Agriculture, etc.

The lowest wages of Rs.20 per day for weeding was notified by Government in April 1993 as wages payable under EAS for unskilled workers, which was increased to Rs.22 per day with effect from April 1995.

As a result, workers engaged in construction works were paid wages at Rs.20 per day to Rs.22 per day even though they were entitled to much higher wages along with dearness allowance as prescribed under MW Act. The short payment of wages to unskilled workers engaged in construction activities (1994-96) alone worked out to Rs.1.04 crores in respect of 414 works (generating 4.02 lakh mandays) executed by 18 implementing agencies in the four districts test-checked.

3.18.9.2 Wages notified for agricultural labourers under MW Act was for 7 hours of work per day only as per notification issued under the Act, while EAS contemplated 8 hours of work per day. Hence, the rate of wages applicable to unskilled workers under EAS would have to be proportionately increased. State Government had notified Rs.20 per day as wages under the scheme for 7 hours work per day. Hence, wages payable to EAS worker would be Rs.23 per day upto March 1995 and Rs.25 per day from April 1995. Wages were underpaid to the extent of Rs.3 per manday on the entire mandays (211.35 lakhs) generated during 1993-94 to 1995-96 under the scheme which worked out to Rs.6.34 crores.

3.18.9.3 State Government notified wages payable under the scheme as Rs.22 per day from April 1995. Even this enhanced rate was not paid by implementing agencies with effect from April 1995. The short payment on this account worked out to Rs.1.31 lakhs in respect of 65,440 mandays generated during 1995-96 in 119 works by 13 implementing agencies in the four districts test-checked.

3.18.9.4 Defects in Nominal Muster Rolls (NMRs)

Under the scheme, registration by workers was a pre-requisite. However, no reference to registration number or family card number was given in NMRs. Hence, it could not be ensured in Audit whether work was given only to the identified registered workers.

The quantity of work done by workers covered in the NMR was not indicated in the NMRs.

3.18.10 Social forestry

3.18.10.1 Plantation of eucalyptus

Plantation of eucalyptus trees was not permissible under Social Forestry. But, eucalyptus seedlings were planted in two blocks[7] in Pudukkottai District at the cost of Rs.1.64 lakhs in 1993-95 under the scheme.

3.18.10.2 **Plantation of palmnuts**

The cost of planting one palmnut seed during 1994-95, as arrived at by Project Officer, Tamil Nadu State Palmgur and Fibre Marketing Co-operative Federation, Pudukkottai was Re.0.57 per seed.

Tamil Nadu Palmgur and Fibre Marketing Co-operative Federation, Pudukkottai planted 2.57 lakh palmnut seeds at the cost of Rs.1.40 lakhs.

In four blocks[8] in Pudukkottai District, 27.25 lakh palmnut seeds were planted during 1994-95 at the cost of Rs.21.07 lakhs (cost per seed : Re.0.77) resulting in an excess expenditure of Rs.5.53 lakhs due to non-comparison of rates and non-entrusting the work to the Federation by implementing agencies for planting the seeds.

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7. **Gandarvakottai and Karambakudi.**

8. **Gandarvakottai, Karambakudi, Pudukkottai and Thiruvarankulam.**

3.18.10.3 Purchase of polythene bags for raising nurseries

District Forest Officer, Social Forestry Division, Pudukkottai purchased polythene bags (cost : Rs.4.16 lakhs) for raising nursery in August 1994 and August 1995 and paid Rs.0.10 lakh and Rs.0.58 lakh in August 1994 and September 1995 towards escalation in the cost of polythene bags. As there was no escalation clause in purchase order, payment of price escalation was not in order.

3.18.11 Involvement of contractors

From the notings and certificates recorded in Measurement Books and other records regarding purchase of steel/cement, return of unused quantity of cement, etc. in Kariapatti, Narikudi and Sivakasi blocks of Kamarajar DRDA, it was seen that contractors were engaged in execution of 21 works (cost : Rs.9.41 lakhs) such as construction of kitchen shed, construction of RCC deck slab, construction of bus shelter, etc., under EAS contrary to GOI guidelines.

3.18.12 Monitoring

Though monitoring of EAS was brought under the purview of the State Level Co-ordination Committee in February 1995, first meeting of the Committee was held only in February 1996. Vigilance squads were not formed for intensive inspection of EAS works in the districts though contemplated in GOI guidelines.

No check was exercised by DRD/State Government on progress reports furnished by implementing authorities to ensure correctness of expenditure reported, since there were discrepancies in the figures of expenditure reported by DRDAs test-checked and actuals as per accounts as stated in paragraph 3.18.6.1.

3.18.13 Evaluation

No evaluation of the Scheme was undertaken by State Government so far (March 1996) even though a sum of Rs.123.09 crores had been spent under the scheme during 1993-96.

The above points were referred to Government in June 1996; reply had not been received (December 1996).

SMALL INDUSTRIES DEPARTMENT

3.19 Utilisation of infrastructure in Government electrical and electronics industrial estates

For achieving organised development and speedy growth of electrical and electronics industries, 8* Industrial Estates were established by the department during 1967-87. Providing developed plots/constructed sheds on hire purchase/ rental basis with infrastructure (roads, water supply and drainage facilities) to needy entrepreneurs was envisaged under the scheme and expenditure of Rs.2.19 crores was incurred towards acquisition of 295.67 acres and its development. Industries Commissioner and Director of Industries and Commerce (IC & DIC) was vested with overall charge of development work and monitoring and functioning of the estates.

Test-check of utilisation of these facilities created during the period 1987-95 revealed as under:

(a) Allotment of plots

(i) Out of 502 plots (150.77 acres) developed in 7 estates (except Thiruvanmiyur) during 1967-87, only 423 (131.62 acres) were allotted as of October 1995. Out of this, industrial units were established in 181 plots only (58.61 acres). As Industrial units were not established in 321 plots, expenditure incurred on their acquisition and development remained unfruitful.

(ii) In Kappalur, as location of the estate was not suitable, 46 out of 103 plots developed at the cost of Rs.17.11 lakhs remained unallotted. 40 plots out of the 46 were earmarked (May 1986) for transfer to Tamil Nadu Small Industries Development Corporation (SIDCO) on its request. However, as SIDCO did not take over the plots, reasons for which were not made available to Audit, these were ordered (December 1993) to be retained by the department.

(iii) According to terms and conditions of allotment, plots were to be handed over/taken over within 3 months from the date of allotment failing which the allotment order was liable for cancellation. Out of 34 plots allotted in Salem Industrial Estate, 19 plots were handed over to allottees after a delay of 12 to 61 months mainly

* Coimbatore, Hosur, Kakkalur, Kappalur, Perungudi, Salem, Tiruchirappalli and Thiruvanmiyur.

due to delay in deciding the ownership of the land (Revenue Department/Public Works Department (PWD)/ Panchayat Union) from whom it was to be acquired and nature of transfer (i.e. outright sale/lease) of the land from PWD.

(b) Delay in construction of sheds

Submission of plans for construction of sheds was also delayed from 1 to 2 years in 9 cases (out of 31 in Kakkalur) mainly due to non-furnishing of the details of measurement of the plots.

(c) Improper utilisation of plots

In 62 plots (in Thiruvanmiyur (35) and Perungudi (27) estates) out of 278, allottees were engaged in manufacture of items not connected with electrical/electronic products, contrary to conditions of allotment. The department did not take any action to cancel the allotment.

(d) Non-recovery of land cost

An entrepreneur was to pay the land cost in four instalments (three instalments in the case of Thiruvanmiyur). First instalment of 25 *per cent* (50 *per cent* in the case of Thiruvanmiyur) was payable within 30 days from the date of receipt of allotment orders. Subsequent instalments with interest of 15.5 *per cent* per annum on the outstanding amount were payable every year commencing from 10 January of the following year in which land was taken possession of.

In 2 industrial estates developed (Kappalur and Salem), demands for collection of principal and interest were not raised resulting in an amount of Rs.15.30 lakhs remaining unrecovered as on 31 March, 1995.

Test-check of records further revealed as under :

Despite instruction of IC & DIC issued in November 1986 to hand over 10 developed plots (3.04 acres) to an entrepreneur after recovering the entire cost of Rs.1.41 lakhs, the plots were handed over to the allottee in December 1986 after collecting Rs.0.35 lakh only towards the first instalment. Lack of follow-up action in this regard by the department resulted in non-recovery of Rs.1.06 lakhs for more than nine years besides interest and penal interest amounting to Rs.1.30 lakhs.

(e) Non-recovery of rental/hire charges

In 4 estates (Hosur, Kakkalur, Thiruvanmiyur and Tiruchirappalli), 138 constructed sheds were allotted on rental/ hire purchase basis. As on 31 July, 1995, a sum of Rs.66.46 lakhs was outstanding for sheds allotted during 1981-82 to 1994-95 towards rental (Rs.54.53 lakhs) and hire purchase (Rs.11.93 lakhs) dues.

(i) Allotment of a shed made in October 1972 to an allottee in Kakkalur was cancelled repeatedly in February 1978, July 1982 and September 1992 due to accumulation of rental arrears and non-commencement of production. The repeated cancellation had become necessary as cancellation order was got rescinded each time either by Directorate of Industries and Commerce or Government on assurance given by the firm to clear the arrears or as the firm was covered under "sick unit rehabilitation programme". It was finally decided by Government in July 1994 to cancel the allotment and IC & DIC was also required to take appropriate action for recovery of rental arrears. However, no specific action was taken to recover rental arrears with interest amounting to Rs.8.65 lakhs (upto March 1995), besides the shed constructed at the cost of Rs.0.97 lakh remaining unutilised for over 22 years.

(ii) In Hosur, two sheds constructed at the cost of Rs.0.66 lakh were allotted on rental basis in September 1973 to a firm and an agreement deed was executed in November 1973. The sheds were taken possession by the firm in December 1973. Though the unit became defunct in September 1982, no action was taken for cancellation of allotment till March 1984 which resulted in accumulation of rental arrears. Action to evict the allottee in May 1990 did not fructify. Machinery and equipment of the allottee could not be auctioned by the department as these were financed by more than one financial institution and rental arrears of Rs.1.31 lakhs were not realised as of September 1995. The two sheds, resumed during October 1990 and November 1990, remained unallotted.

(f) Non-recovery of maintenance charges

According to conditions of allotment, maintenance charges were recoverable from allottees every month on *pro rata* basis for maintenance of roads, sewage systems and other amenities.

Though IC & DIC approved (August 1987) a method for the purpose, based on that followed by SIDCO, Krishnagiri, the department took some steps between October 1987 and December 1992 to fix the agency for maintaining the industrial estates and fix the maintenance charges. However, the efforts did not fructify. IC & DIC forwarded fresh proposal in November 1993 to Government for orders for recovery of Rs.1,800 as maintenance charges per acre per annum from the allottees in 3 estates (Kakkalur, Kappalur and Tiruchirappalli). Even this proposal was not approved by Government as of September 1995. A sum of Rs.18.90 lakhs incurred by the department towards maintenance charges in all the 8 estates during March 1981 to September 1995 remained unrecovered, as a method for collecting maintenance charges was not evolved even after a lapse of more than 8 years.

(g) Unutilised building/equipment

Due to non-provision of power-wiring and controlled environment required for proper functioning of laboratories, two buildings constructed at the cost of Rs.5.08 lakhs (Kakkalur (cost : Rs.4 lakhs) and Hosur (cost : Rs.1.08 lakhs)) during May 1993/May 1989 and equipment procured at the cost of Rs.6.16 lakhs during 1989-95 (Kakkalur : Rs.5.19 lakhs; and Hosur : Rs.0.97 lakh) could not be utilised.

These deficiencies in the functioning of the industrial units indicated that the facilities created by incurring an expenditure of Rs.2.19 crores did not largely achieve the objective of speedy growth of electrical/electronic industries in the estates.

The matter was referred to Government in June 1996; reply had not been received (December 1996).

3.20 Non-functioning of a training institute for gem cutting

With a view to promote small and tiny industries in gem cutting, Government sanctioned in June 1993 Rs.12 lakhs (Rs.9 lakhs for purchase of machinery and Rs.3 lakhs for pre-operative expenses) to start a training institute for gem cutting at Bargur under Co-operative Society's Act to train 400 persons a year from 1993-94. The amount of Rs.12 lakhs was disbursed to "The Bargur Gem Cutting Industrial Co-operative Society Limited" (Society) in October 1993 based on the proposal of District Industries Centre (DIC), Dharmapuri for purchasing 50 faceting machines to train 50 beneficiaries already identified.

The Purchase Committee appointed in September 1993 made its recommendation in October 1993 regarding purchase of machinery for the Society. But the recommendation was not acted upon by Industries Commissioner and Director of Industries and Commerce (IC & DIC) since a new Technical Committee was constituted by Government in January 1994 to examine, *inter alia*, various aspects and functioning of the gem cutting machinery. As report of the Technical Committee was not forthcoming, IC & DIC permitted the Society in July 1994 to purchase 10 gem

cutting and polishing machines from a firm in Dindigul as already recommended by Purchase Committee. Accordingly, 10 machines were purchased at the cost of Rs.1.01 lakhs and were installed (August 1994) in the premises of Society. Because of the delay in the purchase of machinery, no training was given in 1993-94.

During 1994-95, training was imparted by the Society to 10 members only under Training of Rural Youth in Self-Employment (TRYSEM) of Integrated Rural Development Programme (IRDP). DIC attributed the shortfall to non-purchase of adequate number of machines, unwillingness of people in Dharmapuri District to come forward to learn the trade by paying tuition fees, non-availability of qualified trainers in Dharmapuri District and poor marketability of finished products due to poor quality.

As the scheme was considered a failure, proposals of the department for sanction of training under TRYSEM for the year 1995-96 were not approved by Dharmapuri District Development Corporation (DDDC).

Considering the above constraints, IC & DIC issued (February 1996) instructions regarding modalities for the training (restricted to 10 persons for each of the two shifts in a year) and selection of suitable candidates for the post of trainers. It was also stipulated that cost of training be limited to interest income of the Society. Application for the post of trainer was called for in April 1996. Further action taken by the department was awaited (May 1996).

Though no additional machinery were to be purchased, no action had been taken to recover the unutilised balance of Rs.10.99 lakhs from the Society.

Thus, the objective of training 400 persons every year in gem cutting and polishing by promoting a Gem Cutting Training Institute envisaged by Government in June 1993 was not achieved even after the release of Rs.12 lakhs to the Society.

The matter was referred to Government in June 1996; reply had not been received (December 1996).

SOCIAL WELFARE AND NUTRITIOUS MEAL PROGRAMME DEPARTMENT

3.21 Failure to avail of Central grant for purchase of drugs

Tamil Nadu Integrated Nutrition Project Phase.II (TINP-II) was implemented from September 1990 with World Bank assistance. One of the components of the scheme was to supply drugs to improve the health status of children. Reimbursement of 80 *per cent* of expenditure under the scheme incurred for procurement and supply of drugs by Health Sub-centres of Primary Health Centres (PHCs) was to be made by World Bank of which, Government of India (GOI) was to release 30 *per cent* as grant and 70 *per cent* as loan to the State. The 'bid documents' approved by World Bank in January 1995 stipulated that at the time of bidding, the firms should have manufactured and supplied drugs for at least five years and should furnish a certificate regarding satisfactory completion of supplies. Guidelines for procurement under World Bank assisted schemes provided that all the eligible bidders satisfying the above conditions should be allowed to participate in the bid.

Project Co-ordinator, TINP-II invited (January 1995) competitive bids for purchase of drugs for 1994-95. Against Government sanction (March 1995) for Rs.5.06 crores, supply orders were placed in March 1995 with 22 out of 40 firms for supply of 21 drugs. Between May 1995 and November 1995, expenditure of Rs.6.18 crores was incurred on purchase of drugs and reimbursement claims for Rs.4.94 crores were sent to GOI.

Based on the complaint received from a firm that bid documents requisitioned by them were despatched by Registered Post only on 1 March, 1995 just a day prior to the prescribed due date for receipt of bids, records relating to the bid were verified by World Bank (August 1995).

In December 1995, World Bank declared the contracts awarded for procurement of drugs and nutritions for 1994-95 as 'misprocurement' due to violation of its guidelines as a firm was denied opportunity to participate in the bid and also due to awarding of contracts to six bidders who did not meet the requirement of manufacturing and marketing drugs for at least five years on the date of bidding (licence for manufacturing drugs was obtained between February 1992 and January 1995). The entire claim was rejected by World Bank in December 1995.

Thus, the violation of guidelines prescribed by World Bank as also the awarding of contracts to ineligible firms resulted in depriving the State of Rs.1.48 crores as subsidy and Rs.3.46 crores as loan from GOI.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

3.22 Irregularities in purchase of gold rings

Government launched (October 1992) "Puratchi Thalaivi Dr. J. Jayalalitha Scheme for Girl Child" with the objective of promoting family welfare, welfare of girl children and to eradicate female infanticide. The scheme was to cover parents less than 40 years of age who had undergone sterilisation with one or two girl children and no male child and whose annual income was less than Rs.12,000 (Rs.6,400 prior to April 1993). The beneficiary under the scheme was the only girl child or second of two girl children in the family and the child should be below 3 years at the time of enrolment. District Social Welfare Officers (DSWOs) were to identify the beneficiaries and issue a certificate on enrolment. On identification, a sum of Rs.5,000 per beneficiary was to be invested in her name in the special fund to be created by Government in the Public Account and periodical payments were to be made to beneficiaries through her parent/guardian.

One gold ring weighing 2 gms. worth Rs.800 was to be given on the first or next birthday immediately after enrolment. The scheme was to take effect from April 1992.

Irregularities in the implementation of the scheme were noticed by Audit in March 1996 and a review, conducted in June 1996, on the working of the scheme during 1993-94 to 1995-96 revealed as under:

(i) According to Rules framed by Government in March 1994, the amount of Rs.5,000 per beneficiary was to be drawn and credited to the special fund created under the Public Account. DSWOs were to draw the amount due to beneficiaries once in a month from the fund and keep it in a Personal Deposit Account to be maintained within the Government account. An amount of Rs.11.44 crores was drawn, by Director of Social Welfare and Nutritious Meal Programme (DSWNMP) as grants-in-aid in respect of 22,886 beneficiaries identified during 1993-94 to 1995-96. But no separate Special Fund was created as of May 1996. The payments should have been met out of budget provision against final head in view of the availability of computerised information for the scheme in the Directorate.

(ii) Though an amount of Rs.11.44 crores was credited to Deposit head under public account, cost of 22,462 gold rings (Rs.1.80 crores) purchased during 1994-95 to 1995-96 was wrongly classified to revenue head of account and the misclassification relating to 1994-95 (Rs.85.54 lakhs) was rectified in 1995-96. The misclassification relating to 1995-96 (Rs.94.15 lakhs) was not rectified (June 1996).

(iii) For purchase of gold rings, no tender procedure was adopted and the rings were purchased by DSWNMP from some private jewellers without calling for any tender or quotation. Government approved (September 1995) the procedure adopted during 1994-95 for 1995-96 also. Records of DSWNMP or DSWOs did not indicate placing of any supply orders with jewellers indicating the number of rings to be supplied, period of supply, purity of the gold, etc. Making charges claimed by each jeweller varied from 2 to 11 *per cent* of cost of gold and no uniform rate was adopted. The invoices did not contain description of the article purchased and description given was ambiguous. DSWOs were to collect the gold rings either from the Directorate or from the Office of Minister for Social Welfare after paying the cost through demand draft/cash.

(iv) In 10 Districts*, in respect of which details of purchase and distribution of gold rings were available, out of 10,659 gold rings (cost : Rs.85.27 lakhs) purchased during 1993-94 to 1995-96, 639 rings were not distributed and lying with DSWOs either due to death of beneficiary child or due to non-coming of parents of the beneficiaries in spite of issue of reminders. Cost of 3,404 gold rings (Rs.27.23 lakhs) released (February/March 1996) for purchase of gold rings to beneficiaries identified during 1995-96 were lying with 8 DSWOs unutilised (May 1996), as the DSWOs were asked by Collectors not to proceed with procurement of gold rings until further orders from the Directorate due to adverse press comments.

(v) According to the Scheme, each girl child was to be given a gold ring weighing 2 gms. worth Rs.800. As market price of gold was fluctuating and as no provision was made for making charges and taxes, the gold rings were purchased with lesser weight (varying from 1.4 to 1.62 gms.). There was no system to ensure quality of the rings supplied. To an audit enquiry, DSWNMP replied (June 1996) that considering the fluctuation in the rate of gold, Rs.800 was taken as standard and all beneficiaries were given gold ring worth Rs.800. Thus, the scheme was formulated for supply of gold rings weighing 2 gms., without taking into account the fluctuation in cost of gold, making charges and sales tax and hence was inherently defective resulting in unequal benefits to beneficiaries.

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* Chengai-MGR, Coimbatore, Dharmapuri, Dindigul, Erode, Madurai, North Arcot-Ambedkar, Salem, South Arcot-Vallalar and Tiruchirappalli

The matter was referred to Government in July 1996; reply had not been received (December 1996).

TRANSPORT DEPARTMENT

3.23 Unfruitful expenditure on development of Colachel Port

Indian Rare Earths Limited (IREL), a Government of India Undertaking and the exclusive user of Colachel Port requested Government (July 1980) for provision of additional facilities to the port. The Consultants, who were entrusted with the job of making a feasibility study, suggested (October 1980) that effect of sea erosion was obvious and extreme caution should be exercised while providing new facilities. Government sanctioned (June 1984) construction of a jetty at the cost of Rs.22.80 lakhs at Colachel Port. The expenditure was to be equally shared by State Government and IREL. Tenders for the work were called for in October 1988 and the Tender Committee, which evaluated (December 1988) the tenders, rejected them as those were conditional tenders. In the meantime, IREL informed (June 1989) State Port Officer (SPO) that their export commitments from Colachel Port would not show an upward trend as supplies to the domestic users had to be effected from mines.

Notwithstanding the fact that export commitments would not show an upward trend from this port, a revised estimate for Rs.59.59 lakhs, for increasing the length of the jetty from 90 metres to 161 metres, was sent to Government in January 1990 for approval. IREL agreed (June 1989) to share project cost upto a maximum of Rs.15 lakhs. Government accorded (March 1990) revised administrative sanction for Rs.52 lakhs. The lowest tender for Rs.57.76 lakhs recommended by the Tender Committee on retendering in August 1990 was accepted (October 1990) by Government and the site was handed over to the contractor in October 1990. During execution of work, due to severe erosion of sand, foundation of several columns was exposed and the designed depth adopted in the foundation for columns was found to be inadequate. Consequently, length of the piles and steel liner tubes was to be increased. The estimate was, therefore, revised to Rs.99.25 lakhs which was approved by Government in January 1993. The work was completed in March 1993 at the total cost of Rs.98.72 lakhs.

In May 1993, the State Port department observed that the jetty could not be operated without a fendering system[@]. Though timber strip and rubbing strip fendering system was provided in the original estimate, it was not executed. During execution of work under the revised estimate, temporary fendering only was provided at the cost of Rs.0.66 lakh for one shipping season, and Rs.1.21 lakhs were again spent for temporary fendering during 1994-95. These fenders were damaged during actual operation in 1994-95, and the cargo were handled through Vallams[*] as was done prior to construction of the jetty. This resulted in non-utilisation of the jetty (April 1995) constructed at the cost of Rs.98.72 lakhs and also incurring of an additional expenditure of Rs.1.87 lakhs on temporary fenders.

In this connection, the following observations are made.

(i) The Consultants' findings were not examined properly while preparing original estimate, the design adopted was found to be inadequate, and revised estimate was prepared for execution of additional quantities of items necessitated due to severe erosion of sand which led to exposure of foundation of several columns and adoption of bored piles instead of columns. Government stated (August 1996) that preparation of drawing and estimates and supervision of works were done by the Consultants themselves. However, the fact remained that the length of the piles was designed for 5 to 8 metres only in original estimate and later (January 1993) revised to 10 metres, against the contemplated level of at least 12 metres below the sea bed in the Consultants' feasibility study findings of October 1980.

(ii) Even though IREL reported in June 1989 itself that export of ilmenite sand through the port would not increase, due to encroachment and hindrance to road traffic, location of the jetty had to be shifted and length of the jetty was increased from 90 m. to 161 m. after consulting IREL, resulting in increase in the cost of work from Rs.22.80 lakhs to Rs.52 lakhs. Thus, due to defective planning, the location was shifted, which resulted in an additional expenditure of Rs.29.20 lakhs.

(iii) IREL expressed their inability to share cost of construction at 50 *per cent* and remitted only Rs.30 lakhs towards their share in March 1991, November 1992 and December 1993. But, total cost of construction of the jetty was Rs.98.72 lakhs and State Government had to meet the balance cost. Quantity of

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@ Fendering system means, a protection to the ships side against piers, etc., or a structure to guard against contact or impact on the pier.

* Boat propelled with paddles.

ilmenite sand exported through this port was only 0.28 lakh tonnes during 1989-90 and 0.12 lakh to 0.31 lakh tonnes during 1992-95 and there was no export during 1995-96.

Thus, due to adoption of inadequate design and due to provision of facilities even after knowing that export through this port was not going to increase, the expenditure of Rs.98.72 lakhs incurred on provision of infrastructural facilities became largely unfruitful.

3.24 Infructuous expenditure on development of Valinokkam Port

State Government declared (March 1984) Valinokkam Port as a minor port for use by Tamil Nadu Salt Corporation for exporting salt. Infrastructural facilities were proposed to be constructed at the cost of Rs.45 lakhs in anticipation of approval of Customs Department for declaration of the port as Customs Port*. An expenditure of Rs.45.49 lakhs was incurred during 1980-90 for provision of infrastructural facilities. However, proposal of State Government to declare the port as Customs Port was negatived (July 1985) by Government of India (GOI) due to insignificant traffic, lack of rail connection, lack of commercial imports/exports and due to its close proximity to Tuticorin Port. GOI suggested that the port may be used for ship breaking activities. The Department stated (April 1996) that no cargo, including salt was exported through this port as the port was not declared as a Customs Port and also stated (August 1996) that due to shallowness, only 12 mini-sized vessels were scrapped during 1988-96.

In the meantime, a fishing harbour breakwater was proposed (1981-82) by the Fisheries Department and completed during 1984-85. After construction of the breakwater, the jetty, constructed (cost : Rs.5.47 lakhs) for movement of boats and launches was of no use due to siltation. State Port Officer stated (April 1996) that the dredging operations could not also be carried out in view of huge cost involved in bringing the dredger from Cuddalore. Government stated (August 1996) that siltation around the jetty was not anticipated at the time of construction of breakwater and the jetty was proposed to be auctioned.

Thus, the objective of provision of infrastructural facilities for handling cargo was not fully achieved even after incurring an expenditure of Rs.45.49 lakhs.

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* Customs Port means a Port where the assessment of payment of customs duty and observance of customs formalities are to be done.

3.25 Infructuous expenditure on idle staff

Government sanctioned (August 1988) Rs.25 lakhs towards purchase of two flat deck barges and one shallow draft motor launch for transporting passengers from the jetty to ferrying vessel and *vice versa* at Rameswaram Port and also 12 staff for manning barges and launch. Two barges (cost : Rs.14 lakhs) and the launch (cost : Rs.3.53 lakhs) were acquired in September 1989 and February 1990 respectively. The barges could not be put to use due to non-resumption of passenger traffic, which was suspended in October 1984 itself due to ethnic problem. The barges were utilised during 1991-92 to 1993-94 for transporting refugees for deportation. The barges could not be used in other minor ports as these were designed to transport only passengers. As the ferry service was not restored, the barges were disposed of through public auction (December 1994) and an amount of Rs.2.25 lakhs was realised. An infructuous expenditure of Rs.2.28 lakhs was incurred towards salary of staff during 1994-95 and 1995-96, even after disposal of the barges.

3.26 Non-recovery of loan

Under the Centrally Sponsored Scheme of loan assistance to State Government for providing assistance to private parties for construction of mechanised sailing vessels, Government of India released Rs.38.40 lakhs to State Government between March 1983 and June 1985. State Government, in turn, disbursed the amount as loan to 3 beneficiaries between March 1983 and September 1985* at an interest rate of 6.5 *per cent* per annum (1983-84 : 7 *per cent*; 1984-85 : 8 *per cent*). The principal was to be repaid in 10 annual equal instalments. Moratorium of 2 years was only for principal and during this period, interest was payable at the rates prescribed. An amount of Rs.26.05 lakhs (Principal : Rs.18.14 lakhs; Interest : Rs.7.91 lakhs) due from December 1987 to March 1996 was pending recovery as of April 1996 in respect of all the three beneficiaries.

While interest due for earlier period was outstanding, interest due for subsequent periods was recovered.

No penal interest was levied for the delay/non-payment of principal/interest, even though there were delays in repayment of principal and interest in respect of all the four loans by all the three beneficiaries. Penal interest accrued on this account worked out to Rs.3.69 lakhs (for principal : Rs.2.60 lakhs; for interest : Rs.1.09 lakhs).

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* March 1983 : Rs.6.49 lakhs; February 1984 : Rs.3.50 lakhs; November 1984 : Rs.20.01 lakhs; and September 1985 : Rs.8.40 lakhs

The agreement provided for recovery of the whole loan amount in one lump sum, in case of failure to pay one or more instalments. The mortgage deed also provided for taking possession of vessels and selling it to realise the amount due. The department had not invoked penal clauses of the agreement and mortgage deed but allowed the loan and interest amounts totalling to Rs.26.05 lakhs as of April 1996 to fall in arrears.

Government stated (July 1996) that action under Revenue Recovery Act had been initiated against the beneficiaries. However, progress if any, in recovery of loans/interest was not indicated.

GENERAL

3.27 Misappropriations, losses, etc.

(i) Cases of misappropriation of Government money reported to Audit to the end of March 1996 and on which final action was pending at the end of June 1996 were as under:

	Number of cases	Amount (rupees in lakhs)
Cases reported to the end of March 1995 and outstanding at the end of June 1995	470	143.44
Cases reported during April 1995 to March 1996	32	3.00
	502	146.44
Cases cleared during July 1995 to June 1996	44	2.39
Cases outstanding at the end of June 1996	458	144.05

Departmentwise and yearwise analyses of the pending cases are furnished in Appendix XII. In all these cases, report on the departmental action taken and results of the proceedings initiated against Government Servants responsible, required to be sent to Audit according to Financial Rules, were awaited (August 1996).

(ii) In addition, 368 cases (Rs.1.19 crores) of theft, damages to properties, etc., reported to Audit upto March 1996 by departments other than Public Works and Highways and Rural Works Departments and 1,833 cases (Rs.1.77 crores) either reported by or noticed during audit of Public Works and Highways and Rural Works Departments upto 1995-96 were pending finalisation as on 30 June 1996. Departmentwise and yearwise analyses of these cases are contained in Appendix XIII.

3.28 Write off/Waiver of losses, irrecoverable loan/interest, etc.

In 26 cases, details of which were made available to Audit, losses and irrecoverable loans/interest amounting to Rs.1.52 crores were written off/waived by Government during 1995-96. Departmentwise details are indicated below :

(Rupees in lakhs)

Department	Written off		Waiver	
	Number of items	Amount Rs.	Number of items	Amount Rs.
Agriculture	8	133.09	..	..
Animal Husbandry and Fisheries	6	10.32	..	..
Commercial Taxes and Religious Endowments	1	3.77	..	..
Co-operation, Food and Consumer Protection	2	0.15	..	..
Prohibition and Excise	3	0.40	..	..
Public	..	..	3	0.07
Revenue	3	4.18	..	..
	23	151.91	3	0.07

FINANCE DEPARTMENT

3.29 Outstanding Inspection Reports

Audit observations on financial irregularities and defects in initial records, noticed during local audit but not settled on the spot, are communicated to Heads of Offices and to immediate superior authorities through Inspection Reports (IRs). Important irregularities are reported to Heads of Department and Government.

Government issued orders in April 1967 fixing a time limit of 4 weeks, from the date of receipt of IRs, for furnishing first replies by Heads of Office.

In view of large number of outstanding IRs and paragraphs, Government constituted at both State level and departmental level, Audit and Accounts Committees for consideration and settlement of outstanding paragraphs. During 1995-96, in 9 sittings of the Committee, no paragraph was settled.

To end of June 1996, 8,600 IRs (issued upto December 1995) containing 32,179 paragraphs were pending settlement. Yearwise details of IRs pending settlement are as under:

Year		Number of IRs pending	Number of paragraphs pending
upto	1991-92	3,112	7,932
	1992-93	1,315	4,949
	1993-94	1,460	5,716
	1994-95	1,437	6,556
	1995-96 (upto December 1995)	1,276	7,026
		8,600	32,179

Out of 8,600 IRs and 32,179 paragraphs outstanding, a review of outstanding IRs of Agriculture, Animal Husbandry and Fisheries, Social Welfare and Nutritious Meal Programme, and Forest Departments revealed as under:

	Department	Outstanding IRs	Outstanding Paragraphs	Number of IRs for which first replies were not received
1.	Agriculture	561	1666	101
2.	Animal Husbandry and Fisheries	317	963	75
3.	Social Welfare and Nutritious Meal Programme	160	489	31
4.	Forests	356	1648	30

CHAPTER IV

WORKS EXPENDITURE

ENVIRONMENT AND FORESTS DEPARTMENT

4.1 Avoidable expenditure due to adoption of oversized pits

In the standardised model estimate (December 1990) for afforestation schemes, provision for digging 45 cubic centimetre (cu.cm.) pits in hillocks was made for planting seedlings raised in polythene bags of size 13 cm. x 25 cm. of 200 gauge. The Principal Chief Conservator of Forests (PCCF) had, however, issued orders in November 1991 that 30 cu.cm. pits would be sufficient for seedlings raised in such polythene bags. In July 1993, the Chief Conservator of Forests (Development) (CCF-DEV) who was delegated with the powers of approving model estimates by PCCF, communicated model estimate for the year 1993-94 wherein provision was again made for digging 45 cu. cm. pits for seedlings raised in such polythene bags.

Test-check of the records of Vellore and Chengalpattu Divisions by Audit revealed that 45 cu.cm. pits were dug for this operation in respect of 24 estimates sanctioned during 1992-93 and 1993-94. When the reason for adoption of 45 cu.cm. pits in the model estimate for 1993-94 was called for by Audit (August 1995), the PCCF stated (November 1995) that orders reducing the pit size was issued based on the suggestions of the Conservator of Forests, (COF) Vellore Circle and the soil condition in that circle. However, it was noticed by Audit that :

(i) Proposals of COF, Vellore did not mention about soil condition.

(ii) Model estimate communicated by PCCF in December 1990 indicated the soil condition as hard gravelly soil and hence the orders issued by PCCF in November 1991 was applicable to that soil condition only, irrespective of the location.

(iii) Pits of size 30 cu.cm. were adopted by Chengalpattu Division which was not under Vellore Circle.

(iv) The COF, Salem on receipt of model estimate for 1993-94 had requested (August 1993) for the orders for adoption of 30 cu.cm. pits as instructed by PCCF in November 1991.

Thus, adoption of 45 cu.cm. pits for this operation in the model estimate approved by the CCF-DEV led to avoidable extra expenditure of Rs.3.49 lakhs due to adoption of oversized pits by Vellore and Chengalpattu Divisions during 1992-93 to 1995-96.

When the matter was referred to Government in June 1996, Government stated in October 1996 that adoption of 45 cu.cm. pits was based on the report of the committee for standardisation of model estimate for afforestation schemes issued in September 1990. The reply was not tenable in view of the fact that 45 cu.cm. pits adopted in the standardised model estimate by PCCF (based on the recommendations of the committee) was revised to 30 cu. cm. pits by PCCF in November 1991. As there was no further recommendation, the adoption of 45 cu. cm. pits in the model estimate issued after November 1991 was not in order.

PUBLIC WORKS DEPARTMENT

4.2 National Highways

4.2.1 Introduction

Ministry of Surface Transport (MOST) of Government of India is primarily responsible for construction, development and maintenance of National Highways (NHs) in the country. The Ministry is also responsible for overall planning, sanctioning of projects, provision of funds and evolving standards/specification for execution of works relating to National Highways. Actual work of construction and maintenance of NHs is entrusted to respective State Governments on agency basis.

Works relating to NHs, situated in the State (2002.464 Kms.) are executed by Highways and Rural Works (H & RW) wing of the State Public Works Department (PWD).

4.2.2 Organisational set up

NH works in the State are executed by two Chief Engineers (CE), one incharge of NH-45 and the other incharge of remaining NH works, assisted by five Superintending Engineers (SE) and sixteen Divisional Engineers (DE).

Abbreviations used in this review are listed in the glossary at Appendix XV (Page 250).

4.2.3 Audit coverage

Records relating to execution of NH Works including implementation of World Bank assisted 'National Highways Project' (NHP) maintained in Government Secretariat, Offices of two CEs, five Circles[1] (four NH circles and one NHP circle) and eleven Divisions[2] for the period 1990-96 were reviewed by Audit during September 1995 to November 1995 and in June 1996. Results of audit are contained in the succeeding paragraphs.

4.2.4 Highlights

- **Expenditure of Rs.16.97 crores was incurred on establishment during 1990-96 in excess of agency charges recoverable from Government of India.**

(Paragraph 4.2.5)

- **Two hundred and two tender calls pertaining to the years 1990-95 test-checked in the office of Chief Engineer (NH) revealed that 181 cases were responded to by only one (32 cases) or two (149 cases) tenderers indicating poor response from tenderers. Of the 93 cases test-checked in four Circles under latter category, the same pair of tenderers participated in 2 or more calls in 39 cases. Poor participation by registered contractors due to restricted sale of tender forms and failure to delete the non-participating contractors from the Register of Contractors periodically as per Government order vitiated the tendering system.**

(Paragraph 4.2.6.3)

- **Avoidable delay in acceptance of lowest tenders in two cases resulted in extra commitment of Rs.36.58 lakhs.**

(Paragraph 4.2.6.4.(i))

- **In three cases, injudicious decisions in rejecting the lowest competitive tenders had resulted in extra liability of Rs.38.82 lakhs.**

(Paragraph 4.2.6.4.(ii))

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1. Chengalpattu (NHP), Chennai, Madurai, Salem and Tirunelveli.
2. Chengalpattu (NHP), Coimbatore, Chennai, Madurai I, Madurai II, Salem, Tambaram (NHP), Tirunelveli, Tiruchirappalli, Vellore and Villupuram.

- In one work, failure to assess the requirement of profile correction course before awarding contract and award additional works, contingent to main work, to the main contractor in time had resulted in an avoidable extra commitment of Rs.44.04 lakhs.

(Paragraph 4.2.7.1)

- Avoidable delays in acquiring land and selecting proper design for the construction of approaches to Railway overbridge resulted in escalation in the cost of work by Rs.2.24 crores besides non-accrual of benefits even though Railway overbridge portion was completed by Railways in December 1995.

(Paragraph 4.2.7.2)

- Payment of Rs.7.60 crores was made in four packages under `National Highways Project' for the use of foreign inputs without verifying actual usage in accordance with the agreement conditions.

(Paragraph 4.2.7.3)

- In contravention of the provision of the agreement, contractors were paid Rs.31.03 lakhs towards price variation for additional works executed at the rates fixed under current schedule of rates.

(Paragraph 4.2.7.3.(iii)(a))

- Irregular entrustment of lease for `Toll collection' had resulted in loss of revenue to the extent of Rs.10.78 lakhs.

(Paragraph 4.2.9.1)

4.2.5 Funding

Entire expenditure on construction, development and maintenance of NH is met by GOI and the State Governments are entitled to agency charges for meeting establishment expenses at 9 *per cent* of the cost of works excluding maintenance of roads in urban limits. Besides, agency charges are also allowed on survey and investigation (1 *per cent*), quality control (upto 1 *per cent*) and work-charged establishment (ranging from 1 to 2 *per cent*). Assistance at the rate of Rs.16,000 per km. upto August 1994 and at Rs.60,000 per km. from September 1994 was also provided for maintaining roads in urban limits.

Expenditure on NH works including NHP is initially met by the State and booked under "8658 Suspense Accounts - Pay and Accounts Office Suspense". Expenditure on establishment etc., is met from the Consolidated Fund of the State and agency charges are credited to the State by debiting the same suspense head. The amount is reimbursed by Pay and Accounts Office, Bangalore (PAO) of MOST, the nominated PAO, and the suspense head is cleared thereafter.

As against Rs.196.82 crores including agency charges for 1990-96 claimed by the State Government, Rs.171.64 crores was reimbursed by GOI. The difference consisted of claim for February 1996 and March 1996 on NH works (Rs.5.21 crores) and disallowed expenditure and withheld amounts (Rs.19.97 crores) which were mainly due to clarifications required on vouchers and expenditure in excess of GOI sanctions. It was noticed that reimbursement of expenditure under NHP from June 1994 onwards (Rs.16.64 crores) was withheld as the revised estimate for the project was not approved (May 1996) by GOI. Consequently, agency charges of Rs.1.37 crores claimed but not reimbursed by GOI on this account had been shown as receipt in the Government account though not actually received.

It was noticed in audit that as against the actual establishment expenditure of Rs.33.22 crores incurred during 1990-96 for the execution of NH and NHP works, only Rs.16.25 crores was claimed as agency charges at 9 *per cent* of the cost of works. Rupees 16.97 crores was met from the State funds indicating that only 49 *per cent* of establishment expenditure was being recovered from GOI and expenditure incurred on establishment during 1990-96 was in excess by 104 *per cent* of the amount reimbursable by GOI.

4.2.6 System of tenders

4.2.6.1 Registration of contractors

Government in November 1986 and December 1992 prescribed the experience required in Government work and solvency for registration/promotion of contractors to appropriate class. The experience and solvency prescribed for registering contractors for executing works valuing more than Rs.10 lakhs were as under :

Monetary Limit	Minimum experience in Government works	Minimum solvency
Above Rs.10 lakhs and upto Rs.25 lakhs		
(i) upto November 1992	7 years	Rs.5 lakhs
(ii) from December 1992	4 years and at least 5 works should have been executed for a total value not less than Rs.10 lakhs.	Rs.7.5 lakhs
Above Rs.25 lakhs		
(i) upto November 1992	8 years	Rs.5 lakhs
(ii) from December 1992	5 years and at least 5 works of total value not less than Rs.25 lakhs.	Rs.10 lakhs

Test-check of documents relating to 181 out of 757 cases of registration in 5 circles revealed that contractors without prescribed experience (more than Rs.10 lakhs - 75 cases; more than Rs.25 lakhs - 105 cases) and solvency (more than Rs.10 lakhs - 18 cases; more than Rs.25 lakhs - 7 cases) were registered for carrying out works during 1990-95. Of the 180 defective cases of registration, 14 contractors were awarded a total of 20 works (Contract value : Rs.9.10 crores).

4.2.6.2 Publishing advertisements

MOST prescribed in May 1989 following norms for publishing advertisements relating to tender calls in newspapers/journals:

	Cost of Work	Norms
(i)	Upto Rs.50,000	No necessity for advertisement
(ii)	Above Rs.50,000 upto Rs.25 lakhs	3 Regional newspapers
(iii)	Above Rs.25 lakhs upto Rs.2 Crores	2 National newspapers, 2 Regional newspapers, The Indian Trade Journal and The Indian Highways
(iv)	Above Rs.2 Crores	4 National newspapers, 2 Regional newspapers, The Indian Trade Journal and The Indian Highways (Advertisement for pre-qualification only)

Test-check in 4 NH Circles revealed that out of 70 cases of tender calls made during 1990-95, in 38 cases (all works costing above Rs.50,000 and less than Rs.25 lakhs), advertisements were published in excess of the prescribed norms. Excess publication in 1 to 4 newspapers had resulted in additional expenditure of Rs.2.96 lakhs. In the remaining 32 cases (all works costing more than Rs.25 lakhs), advertisement was published in fewer number of newspapers than prescribed resulting in purchase of tender schedules by only one (3 cases) or two (17 cases) contractors.

4.2.6.3 Poor participation in tenders

Test-check of records relating to 202 tender calls pertaining to 1990-91 to 1994-95 made available to audit by the office of the CE (NH) revealed that 181 tender calls were responded to by only one (32 cases) or two (149 cases) tenderers which indicated poor response from tenderers. Scrutiny of 118 tender calls in 4 NH circles disclosed that only two offers were received in 93 cases out of which in 39 cases, the same pair of tenderers participated in 2 or more tender calls. Of the remaining 25 cases, only single tenders were received in 15 cases and they were accepted by the department. Further, the pattern of tenders accepted in respect of 59 development works in these circles revealed that tenders were below the estimated cost (ranged from (-) 0.01 to (-) 19.64 *per cent*) in 7 cases and tender excess (i) upto 5 *per cent* in 7 cases, (ii) 5 to 10 *per cent* in 25 cases and (iii) 10 to 35 *per cent* in 20 cases.

(a) Government in December 1992, ordered annual review of Register of Contractors and delete the names of those who had not participated in tender calls for the last two years or who failed to execute works. The Government order also stipulated the deleted names to be considered for registration only after one year. Though such penal action could force the contractors to participate in tender calls, thereby facilitating receipt of competitive tenders, the annual review was not conducted in all the circles.

(b) The pattern of sale of tender forms in respect of 118 cases reviewed in four NH circles test-checked revealed that tender forms were sold only to one contractor in 9 cases and to two contractors in 77 cases.

(c) Complaints against non-issue of tender forms inspite of requests were received from 3 contractors during 1992-93 in Madurai circle.

From the above, it would be seen that the tendering system was vitiated which would have effectively prevented securing competitive rates for tenders floated by the CE(NH).

4.2.6.4 Finalisation of tenders

(i) Delay in acceptance of tenders

Test-check of 125 cases pertaining to the years 1990-95 in the 4 NH circles revealed that in 27 cases, the tenders were not finalised within the validity period mentioned in tender notice. Failure to finalise the tender within the validity period had resulted in cancellation of sanction of two schemes, viz., (i) widening of single lane to double lane in km.14/370 to km.20/0 of NH 7A, (ii) widening and strengthening from km.8/0 to km.14/4 of NH 7A. Consequently, the expenditure of Rs.2.60 lakhs incurred on account of advertisement and miscellaneous expenses on these two schemes proved infructuous. Cancellation of sanction in one of the above schemes resulted in non-widening of the only single lane stretch in the State to double lane. Further, in two cases, there was avoidable extra financial commitment of Rs.36.58 lakhs as detailed below :

(a) The lowest tender of Rs.46.50 lakhs for executing the work "Strengthening of the existing two lane pavement in km. 254/785 to km. 260/0 of NH-7", with validity upto 12 April 1992 and recommended by the CE (NH) on 13 December 1991 was not finalised by Government till the expiry date of validity of tender. As the tenderer refused in April 1992 to revalidate the offer, retender was called for in April 1992 which resulted in the work being entrusted at a higher cost of Rs.65.88 lakhs in December 1992; the work was completed in February 1996 and final bill was yet to be paid (May 1996).

(b) Tenders were invited in August 1989 for the work "Reconstruction of a High Level Bridge at km. 271/2 of NH-7 along with approaches". The lowest tender of Rs.57.63 lakhs recommended by CE (NH) on 5 October 1989 was not decided by the Government till the expiry of validity of the tender (29 November 1989). Consequently, the offer was withdrawn and the work was awarded at higher cost of Rs.75.37 lakhs in November 1990 in retender and completed in July 1995 at the cost of Rs.74.83 lakhs. Reasons for the delay could not be verified by Audit as Government stated (September 1996) that the file was destroyed.

(ii) Non-acceptance of competitive tender

According to the provisions of Highways Manual, the Engineer should, as a rule, accept the lowest reliable tender unless there are good and convincing reasons to do the contrary. The department failed to accept competitive tender in the following cases:

(a) Irregular rejection of tender

GOI accorded in January 1991 technical approval and financial sanction of Rs.95.11 lakhs for the work of "Strengthening the weak two lane pavement in km. 327/083 to km. 333/6 of NH-45". Estimate for the work was technically sanctioned for Rs.95.11 lakhs by the CE (NH), Chennai, in July 1991.

Tenders for the work were invited by the SE (NH), Madurai in August 1991, the value of work put to tender being Rs.86.16 lakhs. Five tenders were received. The lowest tender (Rs.74.23 lakhs) was 13.85 *per cent* below the estimated cost put to tender. The remaining four tenders of Rs.90.21 lakhs to Rs.1.12 crores were above the estimated cost. The SE rejected all the tenders in October 1991 for the reason that the lowest tender which was below the estimate was unworkable and ordered calling of retenders, though there was only one tender which was below the estimate.

Retenders were invited in November 1991. Four tenders were received. The lowest tender (Rs.81.69 lakhs) was 5.19 *per cent* below the estimate. The remaining three tenders were at Rs.93.68 lakhs to Rs.1.09 crores.

The lowest tender of Contractor `A' for Rs.81.69 lakhs was recommended in February 1992 to the Government by the CE (NH) for acceptance. Government observed in May 1992 that good quality work could not be done with discounted tenders and wanted CE to consider award of tender to second lowest tenderer Firm `B' for Rs.93.68 lakhs which was 8.72 *per cent* above the estimate or alternatively invite retenders again. Thereafter, CE (NH) recommended the tender for Rs.93.68 lakhs of Firm `B', who had quoted Rs.74.23 lakhs in first call and the recommendation was accepted in August 1992. Work was completed in August 1995 and Rs.80.36 lakhs was paid to the contractor (October 1995). Final bill was not paid as of August 1996.

Following irregularities were noticed :

The CE while recommending the lowest tender of the second call to Government in February 1992 had stated that the tenderer was financially sound and was capable of doing the work and the rates quoted were reasonable. When the Government directed the CE in February 1992 to furnish performance report of the two lowest tenderers of the second call, it was reported by him in May 1992 that the lowest tenderer had not executed any work in NH Wing and his capabilities were yet to be tested. However, it was noticed in audit that the lowest tenderer was registered as a class I contractor in October 1985 itself and had executed road works ranging from Rs.9.07 lakhs to Rs.50 lakhs for the Corporation of Chennai and the Tamil Nadu

State Construction Corporation. The tenderer was also pre-qualified in March 1991 for a work valuing Rs.5.15 crores under a World Bank Assisted Project, which was to be executed to NH standards. Therefore, the report of the CE was not based on facts and Government had no basis to ignore the lowest tender.

Thus, the rejection of the lowest tender at Rs.81.69 lakhs by the Government in the second call and award of work to the tenderer who quoted higher rates of Rs.93.68 lakhs did not appear to be justifiable. The additional commitment of Rs.11.99 lakhs was avoidable. The additional commitment would work out to Rs.19.45 lakhs if calculated with reference to the original offer of Rs.74.23 lakhs by the same firm in the first call.

(b) The SE (NH) Madras recommended in January 1992 the lowest tender of Rs.13.25 lakhs for executing the work of "Special Repairs to km. 18/0 to km. 22/3 of NH-4 - Poonamallee by-pass" to the CE (NH). The SE also clarified in February 1992 that six out of seven tenders received were below the estimated cost put to tender (Rs.16.73 lakhs) ranging from 20.81 to 4.16 *per cent*; the lowest tenderer had quarry with crusher and own lorries and tenders with less percentage ranging from (-) 13.13 to (-) 26.02 for contract values of Rs.20.70 lakhs to Rs.1.70 crores were accepted earlier.

CE (NH) instructed (March 1992) the SE to reconsider his recommendations as the Government had felt that only premium tender should be accepted for NH works to ensure good quality of work.

SE changed (April 1992) his earlier recommendation without any valid reasons stating that the rates quoted by the lowest tenderer was unworkable. Retender was invited in June 1992 and the work was entrusted to the lowest of the two tenderers at the cost of Rs.20.85 lakhs (tender premium of 9.89 *per cent*) in August 1992. Work was completed at the cost of Rs.31.37 lakhs (February 1993). The additional commitment of Rs.18.12 lakhs was avoidable.

(c) Government did not accept the lowest tender of Rs.1.45 crores (13.35 *per cent* less than estimated cost put to tender), received in August 1990 for the work of "Strengthening of existing weak two lane road from km. 40/0 to km. 52/8 of NH-5" on the ground that price hike in petroleum products at that time would have a pinch on the lowest contractor. The third lowest tender of Rs.1.54 crores (8.15 *per cent* less than the estimate), recommended by the CE was accepted in March 1991. As the contractor abandoned the work in May 1993, the contract was terminated in May 1994 and the balance work costing Rs.69.57 lakhs was entrusted in July 1995 at the risk and cost of original contractor to another contractor for Rs.1.57 crores.

SE (NH) Chennai and CE (NH) had recorded that the contractor quoting the lowest had executed several NH works, and was financially sound with good labour force and satisfactory past performance. Further, the contractor had revalidated his tender even after the hike in petroleum price. However, another tenderer who did not have such a record and equally affected by the hike was considered and his tender which was below the estimated cost was accepted. Thus, injudicious decision in rejecting the lowest tender had resulted in an extra liability of Rs.8.71 lakhs.

4.2.6.5 Extra expenditure in execution of widening and strengthening of existing carriageway

The World Bank aided 'National Highway Project (NHP)' consisting works of "Widening the existing carriageway to four lanes in km. 27/8 to km. 67/0 and strengthening the existing carriageway in km. 27/8 to km. 160/2 of NH-45" was sanctioned by the GOI for Rs.54.11 crores in September 1986. Eleven firms prequalified in July 1986 with the approval of GOI were eligible to participate in tenders for the Project which was split up into six Packages excluding land acquisition.

The lowest tenders of Firm 'BR' viz., Rs.11.84 crores for Package I and Rs.7.41 crores for Package II were accepted by the Government with the approval of GOI in May 1987. The contracts were annulled in October 1987 after forfeiting Earnest Money Deposit of Rs.19.43 lakhs due to failure of the contractor to execute the agreement. The offers of 3 firms (Firms NB, IR and AP) for Package I and offers of 2 firms (Firms IR and AP) for Package II, received during the retender (April 1988), were considered and the lowest offers of Firm NB (Rs.14.64 crores) for Package I and Firm IR (Rs.10.26 crores) for Package II were recommended to GOI in May 1988 for acceptance. As the project sanctioned cost of Rs.54.11 crores was exceeded by 15 *per cent* mainly due to high tender premium received for these two Packages, the revised estimate of Rs.72.29 crores for the project was approved by the Cabinet Committee in September 1989. In the meantime, based on adverse remarks passed by the World Bank Mission (WBM) in December 1988, on the performance of Firm N in another work, a constituent of Firm NB, and Firm IR, the tender proposals were returned to the Government by GOI in December 1988 to recommend the tender of Firm AP for both the Packages. Revised proposals for Package I (Rs.16.56 crores) and Package II (Rs.11.62 crores) were approved by GOI in September 1989. Works were awarded to Firm AP on 29 September 1989 and taken up for execution in November 1989.

The following points were noticed :

(a) There was no provision either in the Federation Internationale Des Ingenieurs Conseils, Switzerland (FIDIC)[3] conditions adopted for the project or in the Special conditions included by the Government to recover the extra expenditure incurred by the Government due to refusal of the contractor to execute the agreement after acceptance of tender and consequent execution through other agencies. This condition was prescribed in the agreements entered into with the contractors executing other works including NH Works. As the letter of acceptance would constitute the conclusion of the contract, the non-provision of stringent penal clause in the tender document had enabled Firm BR to back out of the contract which ultimately cost the Government an extra liability of Rs.8.74 crores on account of retendering.

(b) According to pre-qualification details furnished by the MOST in July 1986 and February 1988, Firm AP was qualified to execute works only upto Rs.22.50 crores. Two other firms who were similarly qualified were not permitted to participate in the retender for Packages I and II (April 1988) as they had exhausted their limit of qualification of the contract. Though the firm AP had also exhausted its limit of qualification as it had been awarded contracts for the value of Rs.34.97 crores for NHP works in Punjab State in June 1987 and the works were in progress, it was allowed to participate in the tender. Further, it was also awarded contract for a further sum of Rs.28.19 crores in September 1989 for Packages I and II, despite the limit of Rs.22.50 crores, vitiating the tender system. Packages I and II scheduled to be completed by November 1992 were not completed as of April 1996 even though additional mobilisation advances of Rs.1.82 crores were paid to the firm in July and August 1990 to tide over its financial constraints.

4.2.7 Execution of works

4.2.7.1 Delay in entrustment of additional works

Government of India while sanctioning the work "Strengthening the existing weak two lane pavement from km. 314/2 to km. 324/4 of NH-45" ordered (October 1988) to assess the correct quantity of bituminous macadam (BM) for profile correction course (PCC). However, without assessing the quantity, the work was entrusted to contractor R at the cost of Rs.70.43 lakhs in August 1989 and the agreement was executed in September 1989. The contractor was not allowed to

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3. FIDIC conditions are the conditions of International Contracts recommended by the World Bank for adoption in all their aided projects.

commence the work pending assessment of PCC requirement. Further, the CE (Roads), MOST, during inspection of the site in October 1989, ordered to rebuild the sunken portion of certain reaches which were not contemplated in the original sanctions. PCC requirement was assessed in January 1990 and additional works costing Rs.6.41 lakhs were proposed to be executed before taking up the main work by the same contractor. Proposal sent to Government in April 1990 was not approved till December 1990 due to certain clarifications sought for by Government. The contractor withdrew his offer in December 1990. Contract was foreclosed in January 1991. On retender in June 1991, the work including additional work was awarded to the same contractor for Rs.1.21 crores in March 1992. Work commenced in April 1992 was under progress as of April 1996 and the expenditure of Rs.87.89 lakhs was incurred.

Thus, failure of the department to assess PCC requirement before awarding contract and that of the Government to entrust additional work contingent to the main work to the same contractor in time had resulted in an avoidable extra commitment of Rs.44.04 lakhs.

4.2.7.2 Avoidable extra expenditure on formation of approaches

Work of "Construction of Railway over-bridge (ROB) and its approach road at km 427/0 of NH near Samayanallur" sanctioned (March 1987) by GOI for Rs.1.84 crores was to be shared by Railways (ROB work) and MOST (approach portion). The lowest tender of Rs.1.35 crores for approach road recommended by CE (NH) in December 1988 was returned by Government in November 1989 with a direction to call for fresh tenders after land acquisition proceedings for acquiring the required lands were completed. In the meantime, revised estimate for Rs.2.17 crores (Rs.1.72 crores for approach road) was approved by GOI in June 1989. The lowest tender of Rs.3.37 crores for approach road received in response to tender call in July 1993 was recommended (December 1993) by CE (NH) for acceptance by Government. The tender was accepted by Government after the revised estimate of Rs.4.86 crores for both the works (Rs.3.96 crores for approach road) was approved by GOI in January 1995 and agreement was executed in March 1995. The site was handed over in March 1995 and the work was scheduled to be completed by March 1997. An expenditure of Rs.3.06 crores was incurred upto April 1996. The ROB was completed by Railways in December 1995 at the cost of Rs.1.06 crores.

There was avoidable delay in acquiring land for the work resulting in escalation in the cost of work by Rs.2.24 crores (Rs.3.96 crores - Rs.1.72 crores) as detailed below :

(i) The land requirement proposal for 12.119 acres sent by PWD in March 1983 had to be revised as additional land was to be acquired due to revision of the design for diversion road. Proposals for additional land required for the revised design was sent to the Revenue Department in February 1986. Based on the request from the Revenue Department, a consolidated proposal was again sent in January 1988.

(ii) Revised proposal sent by the concerned Tahsildar (January 1988) was returned by the District Revenue Officer, Madurai in January 1989 to submit the proposals in metric system. Revised proposal was submitted by the Tahsildar in May 1989.

Thus, the improper investigation and deciding the incorrect design by PWD and slow processing of the proposals by Revenue Department had resulted in an avoidable delay of 74 months in the preparation of draft notification. Excluding this delay, the land which was finally acquired in March 1994 (after 132 months) could have been acquired by February 1988 (59 months) and the work could have been awarded during the first call (October 1988) itself.

Besides escalation in cost of work, there was escalation in cost of land and the benefits of the scheme had not yet been accrued to the public though the ROB was ready in December 1995.

4.2.7.3 Execution of National Highways Project

Review of the records relating to execution of Packages I, II, V and VI of the National Highways Project (NHP) mentioned in para 4.2.6.5 above revealed as under:

(i) Excess payment on foreign inputs

The general and special conditions of contract stipulated in the tender document and agreements adopted for works under NHP included various instructions regarding use of foreign inputs (Expatriate staff, labour and inputs to be imported from other countries). The conditions are summarised as under:

(a) If the foreign inputs were to be used in the work, the contract agreement should indicate the cost payable to such inputs in terms of a fixed percentage to total tender value (in rupees) and payment to the extent of specified percentage was to be made in foreign currency. The percentage was to be fixed on the basis of justification showing the requirements of foreign inputs for the work by the contractor.

(b) While releasing payment on account of foreign inputs, the payment was required to be limited to the specific percentage in the agreement and if foreign inputs were not used in the work to the specified percentage, the payment on account of foreign currency was to be restricted to the percentage actually used.

It was noticed in audit from the contract agreement that payment in respect of Packages I and II of NHP was to be made in foreign currency (Sterling Pounds) to the extent of 19 *per cent* and 22 *per cent* of the cost of work actually executed. However, the basis on which the above percentages were arrived at was not furnished by the department.

Payments were made in rupees on the basis of exchange rate then prevailing in respect of foreign inputs to the extent specified in the agreements for all the Packages. Further, it was seen that the contractor of Packages I and II had furnished documentary evidence for use of foreign inputs only to an extent of 5 *per cent* and 4.25 *per cent* of the tender value respectively. In respect of Packages V and VI, the contractor did not produce any documentary evidence for use of foreign inputs.

This resulted in excess and unauthorised payment of Rs.7.60 crores to the contractors.

When the failure in respect of Packages I and II was pointed out by Audit (November 1995), the department initiated action (April 1996) to invoke bank guarantee (Rs.3.52 crores) to adjust the overpayment. The department stated (August 1996) that the contractor obtained stay from the High Court of Chennai (HC) restraining the department from invoking bank guarantee and action has been taken to vacate the stay. In respect of Packages V and VI, the department stated (August 1996) that the contractor protested through HC against extension of bank guarantee beyond June 1996. The HC allowed reduction of bank guarantee from Rs.68.50 lakhs to Rs.50 lakhs but the department appealed against the reduction.

(ii) Price variation towards foreign inputs

Agreements relating to Packages I and II of NHP *inter alia* provided for payment of escalation in cost of foreign inputs from 12 months subsequent to the closing date of tender and should be based on acceptable base index, as applicable to the specified foreign inputs, on construction projects in the foreign country. However, the department made payments of Rs.3.11 crores on the basis of particulars of index furnished by the contractor without verifying their correctness/authenticity. The SE (NH 45) stated in November 1995 that authenticated indices would be obtained from the competent authority, and overpayments, if any, would be regulated before making final payments to the contractor. However, this had not been assessed by the department (August 1996).

(iii) Excess payment on price variation

(a) Additional works

Agreements relating to Packages I, II, V and VI provided for payment of price variation due to escalation of prices of Indian and foreign inputs based on the value of work done excluding the value of any additional or varied work valued at current prices. It was, however, noticed in audit that in contravention of the provision of the agreements, contractors were paid price variation towards Indian and foreign inputs during June 1993 to January 1995 amounting to Rs.31.03 lakhs (approximately) for additional works executed at the rates fixed by adopting current schedule of rates, resulting in excess payment. The Division has accepted the overpayment (October 1996) and has proposed recovery of the amount.

(b) Sales tax on bitumen

Agreements relating to Packages I, II, V and VI provided for, among other things, payment of price variation on bitumen including any increase in statutory levies during execution of the work. It was noticed in audit that while allowing price variation on bitumen including sales tax for Packages V and VI, the sales tax and surcharges amounting to Rs.260.44 per metric tonne (MT) applicable on the date of tender (July 1986) was not deducted. This had resulted in excess payment of Rs.5.63 lakhs on 2162.52 MT of bitumen used in works during the period from February 1991 to July 1993. However, in respect of Packages I and II, sales tax applicable on the date of tender had been deducted properly.

(iv) Unauthorised aid to the contractor

In accordance with terms and conditions of contract of NHP, interest-free mobilisation advances of Rs.1.66 crores for Package I and Rs.1.16 crores for Package II equivalent to 10 *per cent* of the contract value were paid to Firm AP in October 1989. The advances were to be recovered from interim payments made to the contractor in 24 instalments starting from seventh month after the commencement of work in November 1989 or until 80 *per cent* of the work had been completed whichever was earlier.

The contractor requested in September 1991 for deferment in commencement of the recovery of mobilisation advances for 12 months from June 1990 on the ground that there was delay on the part of department in handing over site in work area (Package I) and on the part of Government in issuing licence for importing machines (Package II). The request was forwarded to GOI (October 1991). GOI agreed for deferment of the recovery of mobilisation advances by 12 months for both Packages I and II and to charge simple interest at 18 *per cent* for the deferred period for Package II only rejecting the contention of the contractor for this Package. However, test-check revealed that the agreement provided for handing over site in stages only. Out of the total road length of 26.60 km. for Package I, site was handed over for a road length of 13.46 km. in November 1989, 1.90 km. in March 1991, 4.00 km. in April 1991, 1.40 km. in June 1991 and 1.75 km. in April 1992 before the contract period (November 1992). The records also revealed that though two stretches exceeding 5 km. each were handed over in November 1989 itself, the firm had not kept up their programme and shown substantial progress of work. However, while forwarding the request of the contractor, the department failed to bring out factual position regarding handing over of site. GOI did not charge interest for the deferred period attributing the failure to the department. Thus, non-levying of interest on mobilisation advance for the deferred period in Package I had resulted in loss of interest of Rs.5.20 lakhs.

(v) Extra cost due to departmental failure

During execution of the works relating to Packages V and VI of NHP, disputes between the contractor and the department were referred to the Arbitration Committee in June 1990. The arbitration award brought out *inter alia* the following departmental failures.

(a) The agreement provided for construction of retaining wall with random rubble (RR) masonry for 'Madhuranthagam By-Pass' (Package V). But, the contractor had executed coarse rubble masonry. After site inspection, the arbitrators allowed higher rate at Rs.550 per cubic metre (cu.m.) as against Rs.450 per cu.m. for RR masonry for this work. Failure of the department to ensure execution of work in accordance with the specifications of the agreement had resulted in extra expenditure of Rs.6.85 lakhs. The department stated (May 1996) that coarse rubble masonry was superior to RR masonry. However, superior construction was not provided in departmental specifications and the agreement.

(b) The agreement *inter alia* contemplated for providing sand gravel (SG) mix for the hardshoulders. Though the work was entrusted in January 1987, the department approved the SG mix design only in May 1988. Due to delay in the approval of SG mix design for hardshoulders for the widened portion, the contractor had executed edge packing with gravel to bituminous course for proper compaction of the edge of the existing carriageway, resulting in an extra cost of Rs.3.33 lakhs (Rs.1.93 lakhs for Package V and Rs.1.40 lakhs for Package VI). The department attributed (May 1996) the delay to administrative reasons without mentioning the problems encountered in approving the design.

4.2.8 Disposal of stores

According to the provisions of the Tamil Nadu Highways Manual, serviceable surplus stores which could not be transferred or utilised on works either in the same division or other divisions were to be sold by public auction.

4.2.8.1 Injudicious sale of surplus steel

The CE(NH) sent a proposal to the Government in May 1991 to dispose of the available surplus stock of 1,329 tonnes of steel by public auction. However, 1,191.838 tonnes of steel were sold to Tamil Nadu State Construction Corporation (TNSCC) during October 1992 to September 1993 at Rs.3,800 per tonne. Out of the total sale value of Rs.45.29 lakhs, only an amount of Rs.8.11 lakhs was realised as of May 1996.

The following points were observed

(i) The rate fixed for sale of steel was adhoc and did not have any relation to market value. The market rate of steel was more than Rs.10,000 per tonne at that time.

(ii) The CE (TNUDP) sold surplus stock of steel during October 1990 to May 1991, and September 1991 and October 1991 to contractors at rates ranging from Rs.9,257.20 per tonne to Rs.9,493 per tonne while TNSCC was supplied only at Rs.3,800 per tonne.

(iii) Though Government issued orders for disposal of surplus steel through public auction in June 1993, the department continued its supply of steel to TNSCC at a lower rate of Rs.3,800 per tonne and delivered 308 tonnes after the issue of Government orders which was highly irregular.

The loss on account of failure to sell surplus steel through public auction could not be quantified in audit. Non-realisation of Rs.37.18 lakhs towards cost of steel from TNSCC had resulted in loss of interest of Rs.17.85 lakhs at 18 *per cent* simple interest for the period from October 1993 to May 1996 to Government and undue benefit to TNSCC to that extent.

4.2.8.2 Non-disposal of centering materials

Centering materials purchased (Rs.46.43 lakhs) and used in a bridge work were kept idle from October 1983. The value of materials was assessed at Rs.26.52 lakhs in February 1992 but the action taken to dispose of the materials did not fructify. The materials had deteriorated and scrap value was assessed at Rs.7.99 lakhs (March 1996). The materials were not disposed of (August 1996).

4.2.9 Irregularities in collection of toll

The NH (fees for use of permanent bridges) Rules 1978, *inter alia* provided for levy of fees (Toll) for permanent bridges.

The toll levied was to be collected by the State Governments concerned either departmentally or through private contractors on the basis of competitive bidding and remitted every week to GOI. The State would be entitled to collection charges not exceeding 12 *per cent* of the total collection.

Collection of toll in respect of Kiliyar and Amaravathi bridges in NH-7 and NH-45 revealed as under:

4.2.9.1 Lease on nomination basis

In contravention of the rules, annual lease rights for the period from February 1992 to February 1994 in respect of Amaravathi bridge were granted to a contractor (Rs.30.25 lakhs) and TNSCC (Rs.60.50 lakhs) on nomination basis much below the estimated amounts (Rs.58.60 lakhs and Rs.122 lakhs respectively) which were made on the basis of traffic census. This had resulted in loss of revenue of Rs.89.85 lakhs to GOI. Consequently, there was a loss of Rs.10.78 lakhs towards collection charges to the State.

4.2.9.2 Non-realisation of toll fees

According to the conditions of agreement granting lease hold rights for collection of toll fees for permanent bridges, the successful bidder had to remit 25 *per cent* of lease amount initially and balance in instalments on the dates fixed but before the lease period. Non-payment of instalments on due dates would entail payment of interest at 20.50 *per cent* per annum and foreclosure of contract at the risk and cost of the contractor. It was noticed in audit that Rs.26.34 lakhs including interest were recoverable (June 1996) from three contractors even after the completion of the lease period as detailed below:

Serial Number	Name of the bridge	Lease period	Amount pending recovery (Rupees in lakhs)
1.	Kiliyar	15.12.1993 to 15.7.1994	16.06
2.	Kiliyar	20.11.1994 to 20.5.1995	4.10
3.	Amaravathi	10.02.1993 to 09.2.1994	6.18 (Interest)
	Total		26.34

The department proposed action under Revenue Recovery Act in one case (due - Rs.16.06 lakhs) but the contractor filed a case in the High Court. In other two cases, no effective measures had been taken to realise the dues.

Non-collection of lease amount of Rs.20.16 lakhs in respect of Kiliyar bridge had resulted in non-realisation of revenue of Rs.2.42 lakhs to the State towards collection charges.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

4.3 Krishna Water Supply Project

In order to augment drinking water supply to Madras city, the Government of Tamil Nadu entered into an agreement with the Government of Andhra Pradesh in April 1983 for drawal of 15 thousand million cubic feet (TMC) of water annually through open canal from Srisailam reservoir constructed across Krishna River. The works of forming lined canals from Tamil Nadu border to the reservoirs and raising levels of the reservoirs were executed in 8 Divisions. Test-check of records relating to execution of the works by Audit revealed the following irregularities:

(i) Delay in finalising the tender

The work of "Improvements to the regulator of Poondi Reservoir from Longitudinal Section (LS) 0 metre to LS 117.35 metres" was technically sanctioned for Rs.168 lakhs by the CE. Tenders for the civil works were called for between July 1991 and January 1992. While there was no response in the first and third call, only single tender was received in the second call, which was rejected due to high tender excess. During the fourth call made in March 1992, only a single tender was received from the same tenderer who responded in the second call. The tendered value of Rs.1.39 crores (46.55 *per cent* above the estimated value) reduced to Rs.1.23 crores based on negotiations, was recommended to the Government by the CE. Based on the instructions from the Government (November 1992), further negotiations were carried out and the negotiated tender of Rs.1.19 crores which was 24.99 *per cent* above the estimated cost was recommended by the CE (December 1992) to the Government for acceptance. However, no action was taken on the recommendation by the Government till 7 April 1993.

In the meantime, the validity of tender which expired on 13 July 1992 was got extended from time to time upto 11 March 1993 and the tenderer withdrew the offer on 29 March 1993. The work was finally awarded for Rs.1.39 crores (single tender) (June 1994). The work scheduled to be completed in March 1996 was in progress (12 *per cent*) and the expenditure incurred was Rs 17.40 lakhs.

Thus, the delay in taking decision by the Government on the tender received in the fourth call had resulted in extra liability of Rs.20.65 lakhs.

On this being pointed out, the Government stated (April 1996) that the delay was due to time taken for bringing down rates and to avoid additional expenditure. The fact, however, remained that negotiations were completed and final reduced rates were intimated to Government in December 1992 itself and no decision was taken till 7 April, 1993.

(ii) Extra expenditure on trimming

Estimates for the work 'Excavation of earth and lining of link canal from Poondi Reservoir to Chembarambakkam tank' provided for, among other things, earthwork excavation, trimming the bed and sides of canal, gravel backing and lining. Accordingly, during the course of execution, trimming was allowed as a separate item in 48 out of 55 reaches of the canal and a total payment of Rs.49.25 lakhs was made for trimming work for a total quantity of 4.63 lakh square metres.

According to the prescribed technical specification of Tamil Nadu Building Practice, for gravel backing, the surface to receive gravel coating was to be neatly trimmed to proper slope and hence the rate for gravel backing was inclusive of charges for trimming. It was also noticed that in the similar work of formation of feeder canal, no separate rate for trimming was allowed and the technical specification adopted for gravel backing for both the canals was same. Further, the earth work excavation and lining works were executed under the same contracts and the work of excavation of earth included dressing the bed and sides to exact sections. Hence, there was no justification for the separate payment of Rs.49.25 lakhs made for trimming.

(iii) Avoidable extra expenditure on formation of jeep tracks

On the left bank of link canal (25.75 km.) and feeder canal (21.50 km.) jeep tracks for the movement of inspection vehicles were formed with excavated and borrowed earth for a width of 6.5 metres and a height of 0.75 metre to 2 metres above ground level. The sanctioned estimates for the above work (in 1993-94 and 1995-96) provided for 2 layers of Water Bound Macadam (WBM) for a width of 4.5 metres to 5.0 metres and works were executed accordingly.

In this connection, it was noticed that the standard widths adopted for roadway and carriageway by the Highways Department were 7.5 metres and 3.75 metres respectively and WBM was provided only for the carriageway width of 3.75 metres. Thus, the laying of WBM for a width of 4.5 metres to 5 metres for jeep track was higher than the standard adopted for the State roads by the Highways Department and had resulted in the avoidable extra expenditure of Rs.31.29 lakhs.

The department stated (March 1996) that there was no standard norms for formation of WBM road on canal banks and standards of Highways Department was not applicable since canal embankments were made up of excavated soil. The department also stated (March 1996) that as the jeep tracks were also used by villagers for transporting agricultural produce and manure, 5 metres width WBM road was essential. Further, it would help to prevent sinking of jeep tracks, ease vehicle crossing and provide easy movement of heavy machinery. The contention of the department was not tenable as private vehicles were prohibited from entering jeep tracks formed for movement of inspection vehicles. As such, there would not be heavy traffic. Further, the contingency for deployment of heavy machinery after completion of canal work would not arise since minor repairs and maintenance works do not require deployment of such machinery.

The above points were referred to Government in August 1996; reply had not been received (December 1996).

4.4 Additional liability due to delay in finalisation of tender

The work of improvement to East Coast Road from km. 11/8 to km. 95/0 (Package 8) and km. 95/0 to km. 178/4 (Package 9) sanctioned in November 1989 under the loan assistance of Asian Development Bank (ADB) was entrusted in March 1991 to Firm 'A' for Rs.30.29 crores and Rs.32.76 crores for Package 8 and Package 9 respectively. The agreements entered with the contractor in April 1991 provided for payment of price variation to the contractor for increase in the cost of inputs like labour, general materials and imported inputs over the base rates ruling on the date, 28 days prior to the closing date for submission of tenders.

There was avoidable delay in finalisation of these tenders as detailed below :

(a) The closing date of tender was 2 May 1990. Tender proposals were recommended by the Chief Engineer (Highways), East Coast Road and Rural Roads (CE) to the Government on 2 June 1990. The Government called from CE on 14 June 1990, comparative statements with reference to current schedule of rates (SR) and performance report of Firm 'A' in respect of two ongoing works under World Bank assistance which were furnished by the CE on 13 July 1990 and 3 August 1990 respectively. The proposals were forwarded to Government of India (GOI) on 29 October 1990. However, the necessity for the performance report did not arise as the contractor was pre-qualified in 1989 for this work and the recommendations of CE contained relevant details. Further, the World Bank had evaluated the performance of the contractor favourably in May 1990.

(b) GOI forwarded the proposals to ADB on 9 November 1990. The certificate regarding bearing the excess expenditure over the loan amount by the State Government, called for by ADB on 26 November 1990, was furnished by the Government on 8 February 1991. The proposals were approved by ADB on 28 February 1991 and the order approving the tenders was issued by the Government on 21 March 1991 after obtaining letter from the contractor regarding reduction of foreign exchange component on 8 March 1991.

The loan and project agreements executed with ADB contemplated that excess expenditure over and above the loan amount proposed by ADB had to be met by the State Government. As the offer of Firm 'A' was substantively in excess of estimates, the Government should have furnished the certificates along with tender proposals.

(c) The ADB was frequently reminding the State Government to send the proposals early during June 1990 to December 1990.

Considering the time taken by GOI and ADB to approve the proposal and the availability of required information with the Government, the entire process of finalising and awarding the tender could have been completed by September 1990. The avoidable delay of 6 months from October 1990 to March 1991 in finalisation of tender had resulted in avoidable additional liability of Rs.1.54 crores due to increase in cost of inputs during that period.

The matter was referred to Government in June 1996; reply had not been received (December 1996).

4.5 Excess payment on foreign inputs

The agreement entered into with Firm 'A' in April 1991 for executing the works of improvement to East Coast Road from km. 11/8 to km. 95/0 (Package 8) and km. 95/0 to km. 178/4 (Package 9) provided for payment of 17.16 *per cent* of the contract value in foreign currency (US dollars 38 lakhs). The payments were to be released at specified percentage in all the interim bills payable to the contractor restricted to the percentage of foreign inputs actually used. During execution, Government was satisfied about the utilisation of foreign inputs upto the extent of 15.55 *per cent* of contract value and ordered in March 1994 for payment of foreign currency equivalent amount only to that extent.

(i) In respect of Package 8, the Divisional Engineer (Highways) Mahabalipuram made payment for foreign inputs at the rate of 17.16 *per cent* upto September 1995 as provided in the agreement as against the rate of 15.55 *per cent* prescribed in the Government order of March 1994. This had resulted in excess payment of Rs.37.28 lakhs. In respect of Package 9, it was observed in audit that payment was restricted to 15.55 *per cent*. The department proposed (August 1996) to recover the excess payment in six instalments.

(ii) Even though the percentage was reduced to 15.55, the department could not produce to audit any documentary evidence to prove that the contractor had utilised foreign inputs on the works to that extent. Thus, the regularity of the payment of Rs.1.11 crores for price variation on foreign inputs and Rs.4.37 crores for fluctuation in exchange rate made in respect of both the Packages could not be verified.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

4.6 Avoidable delay in selection of site for construction of "Master Plan Complex" at Tuticorin

Government in July 1987 allotted 300 acres of land which formed part of the land acquired for State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) Complex at Tuticorin, for locating all district level offices and quarters for the Government staff (Master Plan Complex) of Chidambaranar District bifurcated from Tirunelveli District in October 1986. Master plan for the Complex was approved by Government in August 1989.

In January 1991, the Public Works Department (PWD) took possession of the land selected by the expert committee appointed for bifurcating Tirunelveli District. But, the High Court quashed (February 1991) the acquisition notification issued in respect of a part of land included in the layout. Two sites measuring 60.47 acres situated within a radius of 1 km, selected by the Collector in March 1993, were approved by the Government in August 1993 for locating the Complex. The sites were handed over to the PWD in December 1993. Government accorded revised Administrative approval for Rs.4 crores in May 1995 for the construction of three storeyed Collectorate building with necessary amenities and the Chief Engineer accorded technical sanction for Rs.4.40 crores in September 1995. The work had not been commenced as of May 1996.

The following observations are made:

(i) As the Government was aware that a part of 300 acres of land taken over from SIPCOT was under litigation even in 1985, the selection of site for the complex should have been restricted to the litigation free area and the construction designed suitably at the initial stage itself.

(ii) The suggestion of the PWD in May 1991 to revise the layout suitably and continue the construction in the area not covered by litigation was not considered by the Collector.

(iii) Due to change of the site, the expenditure of Rs.1.93 lakhs incurred on preliminary expenses on the land proved infructuous.

(iv) Though alternative site was approved by Government in August 1993 and taken over in December 1993, the approval for construction was accorded by Government only in May 1995 due to delay in preparation of revised estimate.

(v) Even before the selection of site, advance payments of Rs.52.90 lakhs were made to firms, between February 1991 and March 1993 for procuring construction materials, etc. Besides, GI pipes valuing Rs.15.03 lakhs were transferred from another completed work in January 1992. The Division contended in July 1994 and December 1995 that the procurements were resorted to as advance activities, cement and steel valuing Rs.16.55 lakhs had been utilised in other works and GI Pipes valued at Rs.7.73 lakhs were transferred to Tamil Nadu Water Supply and Drainage Board in April 1993. The Division further stated that balance materials valued Rs.43.65 lakhs (March 1996) would be used in the work.

Thus, the selection of site which was under litigation, the delay in selecting alternative suitable site and the delay in according revised sanction for the complex had resulted in an infructuous expenditure of Rs.1.93 lakhs and locking up of Rs.43.65 lakhs towards cost of material not immediately required for the work. Besides, the cost of construction of Collectorate building had also escalated from Rs.2.81 crores in December 1990 to Rs.4 crores in May 1995 and the objective of construction of Master Plan Complex was not fulfilled.

The matter was referred to Government in April 1996; reply had not been received (December 1996).

4.7 Avoidable expenditure on rejection of lowest tender

Tenders for the work of "Construction of a syphon across Vaigai river off take at longitudinal section (LS) 32.310 km. of link canal to feed Thirumangalam main canal including the construction of head sluice at off take point and leading channel to connect the syphon with Thirumangalam main canal" were invited by the Superintending Engineer, Periyar Improvements Circle, Madurai (SE) fixing the last date for receipt of tender as 19 February 1992 with a validity period of 90 days. Of the two tenders received, the rate quoted by firm 'A' for Rs.2.24 crores was the lowest. In addition, firm 'A' had offered a rebate of 12 *per cent* in rates for earth work items, if the department agreed to adopt 1:1 slope instead of 1.5:1 slope specified by the department. The Special Chief Engineer, Periyar Vaigai Project, Madurai (CE) after assessing the bid capacity of the tenderers recommended in March 1992 the lowest tender of firm 'A' to the Government for acceptance. The Government, however, instructed the CE on 25 May 1992 to redetermine the bid capacity of firm 'A' by getting details from all the departments in which he had worked and to re-examine the tender as it was conditional and liable for rejection according to the tender conditions. In the meanwhile, firm 'A' agreed (May 1992) for the extension of validity of the tender upto 31 July 1992 subject to increase in rates for all items by 23.5 *per cent*. After reassessment of the bid capacity of the firm, the CE reported (June 1992) to Government that the tenderer had sufficient capacity and the tender was not conditional as rates were quoted to departmental specifications. However, in view of the conditional extension of validity of tender by firm 'A', the CE recommended in November 1992 for acceptance of the other tender of firm 'B' for Rs.2.78 crores which was 92.15 *per cent* above estimate rates. The Government accordingly approved (December 1992) the tender of firm 'B'. The work, commenced in March 1993 was completed in January 1994 and an expenditure of Rs.3.47 crores was incurred (June 1995).

The bid capacities of the tenderers were evaluated by the CE in March 1992 with reference to particulars required to be furnished in the tender schedule and certificates from the departments concerned regarding balance value of work remaining to be executed by the tenderers. The tender was also finalised by Government in December 1992 in favour of firm 'B' only with reference to this evaluation. Further, the tender of firm 'A' was also not conditional. Hence, the action of the Government to seek clarification in May 1992 after two months from the date of recommendation by the CE and after the expiry of validity of tender was not justified.

Thus, the failure of the Government to accept the lowest evaluated responsive tender within the validity period had resulted in extra expenditure of Rs.43.52 lakhs for the quantity executed and paid to the contractor in the pre-final bill.

The matter was referred to Government in March 1996; reply had not been received (December 1996).

4.8 Unintended benefit to the contractor due to non-revision of rates

The tender documents and the agreements executed (April 1991) with the contractor in respect of the works of 'Improvements to East Coast Road from km. 11/8 to km. 95/0 (Package 8) and from km. 95/0 to km. 178/4 (Package 9)' contemplated construction of granular sub-base for hardshoulder conforming to grading I so as to achieve a California Bearing Ratio (CBR) value of not less than 30 *per cent* as per the technical specification. The technical specification, prescribed based on test results, provided for construction of granular sub-base using sand and gravel in equal proportions with 1 *per cent* cement by weight of sand gravel mix so as to achieve a CBR value of not less than 30 *per cent*. The rates quoted by the contractor for execution of this sub-work according to the prescribed specification were Rs.193 per cubic metre (cu.m.) and Rs.203 per cu.m. for a quantity of 1.54 lakh cu.m. and 1.55 lakh cu.m. for Packages 8 and 9 respectively.

During execution of works, the contractor submitted (May 1992) a revised specification for the construction of sub-base by using gravel alone and stated (July 1992) that the quality of gravel obtained from approved sources was good and the required CBR value would be obtained without adding sand and cement. The department after conducting tests on samples of gravel obtained from the sources (December 1992 and January 1993) issued orders in September 1993 for deletion of the technical specification included in the agreement. However, the rates for change in specification were not revised. In the meantime, the contractor commenced execution of the sub-work without mixing sand and cement and was paid at the rates mentioned in the agreement.

When the failure of the department to revise the rates was pointed out by Audit (February 1996), the department contended (March 1996) that there was no need to enforce any stipulation on the nature of materials to be used as long as the CBR requirement was fulfilled and the rate quoted was to achieve the CBR value of 30. The contention of the department was not tenable as the quoted rate was for achieving the CBR value of 30 by using gravel, sand and cement and the rates required revision when the specification was not adopted. Further, for the construction of granular sub-base grading III wherein sand and cement were not required to be used, the contractor quoted the rate of Rs.101 per cu.m. (Package 8) and Rs.106 per cu.m. (Package 9). As the source and rate for gravel for both grade I and grade III was the same, the non-revision of rate for the work without sand and cement was not justified.

Based on the quantity of cement required for executing the work and the cost of cement mentioned in the tender documents, the additional liability due to non-utilisation of cement for executing the estimated quantity of 3.10 lakh cu.m. worked out to Rs.85.27 lakhs. As of March 1996, the department had incurred an additional expenditure of Rs.25.01 lakhs for the quantities of 0.30 lakh cu.m. (Package 8) and 0.61 lakh cu.m. (Package 9) executed by the contractor. The additional liability constituted unintended benefit to the contractor.

The matter was referred to Government in June 1996 and the Government concurred (August 1996) with the views of the department.

4.9 Unfruitful expenditure on minor irrigation work

Government approved the estimate for the work of formation of a tank across the jungle stream near Thudukanahalli village in Dharmapuri District (August 1986) for Rs.26 lakhs under "Rural Landless Employment Guarantee Programme". The work envisaged irrigation of 140 acres of dry land. The work which commenced in February 1987 was completed in December 1989 except the work of channel excavation in Reserve Forest land at longitudinal section 0 to 400 metres. An expenditure of Rs.19.87 lakhs was incurred on the work (March 1996). The balance work was proposed to be taken up under Special Minor Irrigation Programme.

It was noticed in audit (January 1994) that proposals for transfer of 0.30 hectare (ha) of forest land were sent by the Executive Engineer, Public Works Department (PWD), Dharmapuri Division to the Forest Department thrice during July 1987, August 1990 and February 1993, without furnishing the required documents/ information. Finally, the proposal was approved by the Government of India in October 1995. The forest land ordered to be transferred to PWD in November 1995 was not handed over by the Forest Department (May 1996). The revised estimate for the work was under preparation (May 1996).

Thus, the avoidable delay on the part of the Executive Engineer, PWD in getting the forest land transferred for completing the channel work had resulted in the unfruitful outlay of Rs.19.87 lakhs for over six years. Considering the 20 acres of land benefited by percolation effect, the estimated loss of food production worked out to Rs.3.70 lakhs per year.

The matter was referred to Government in May 1996; reply had not been received (December 1996).

4.10 Additional liability on additional quantities of work

According to the orders of the Government issued in February 1984, additional quantities of work after approval of the estimate should be avoided and if additional quantities are unavoidable, they should not be given to the main contractor, but should be entrusted after call of tenders. However, the conditions of International Contract provides for inclusion of provisional sums in the Bill of Quantities for use in whole or in part or not at all at the direction and discretion of the Engineer-in-charge of execution. As such, provisional sum do not form part of the estimate and are also not considered for finalising the tender. During execution, if necessary, the item would be estimated and executed through the contractor, if the rates quoted are reasonable or by calling tender.

The works of improvement to East Coast Road from km. 11/8 to km. 95/0 (Package 8) and km. 95/0 to km. 178/4 (Package 9) sanctioned in November 1989 under the loan assistance of Asian Development Bank were entrusted to firm 'A' for Rs.30.29 crores (Package 8) and Rs.32.76 crores (Package 9) in March 1991. The bill of quantities of the tender schedule contained, among other things, the work of 'turfing side slopes of main road and service road with grass sods' under provisional sums. During execution, the above item of work was entrusted to the contractor at the quoted rate of Rs.28 per square metre (sq.m.) for Package 8 and Rs.30 per sq.m. for Package 9 and a total quantity of 33,494 sq.m. (14,919 sq.m. for Package 8 and 18,575 sq.m. for Package 9) was executed (January 1996). An amount of Rs.9.75 lakhs was paid on this account upto January 1996.

The quantity executed for this item was far in excess of the provisional quantity (1,100 sq.m.). The rate quoted was also abnormally high and the lowest rate quoted by a tenderer for this item of work was Rs.11 per sq.m. for Package 9. Further, the rate for this item as per the schedule of rates for the year 1995-96, the period of execution, was only Rs.6.90 per sq.m. for Package 8 and Rs.8.10 per sq.m. for Package 9.

Thus, the failure of the department to ensure the reasonableness of the rates quoted by the tenderer for an item of work which had been executed far in excess of the provisional quantity and to entrust the work on tender basis as per the orders of Government had resulted in additional liability of Rs.6.07 lakhs to Government with reference to the lowest rate of Rs.11 per sq.m. quoted for the above item of work.

When the matter was reported to Government in June 1996, Government stated (August 1996) that it would be unfair to fix a rate for a particular item for which quoted rate was available in the agreement. The reply was not tenable since the rates quoted under provisional sums were not mandatory. The department should not have entrusted the work to the same contractor at exorbitant rates.

4.11 Avoidable payment of compensation charges

The Tamil Nadu Electricity Board (TNEB) levied compensation charges from January 1985, if the power factor in any high tension (HT) electric installation fell below 0.85. This was increased to 0.90 from June 1994. Lower power factor could be corrected and raised to the required level by installing suitable capacitors in the circuit.

It was noticed in audit that the required power factor had not been maintained in respect of HT service connections at Vaigai Dam and Valavanar pumping scheme by installing suitable capacitors resulting in payment of compensation charges to TNEB. The capacitors installed in 1988-89 in Vaigai Dam were insufficient and fresh capacitors were installed only in June 1995 at the cost of Rs.0.46 lakh. The department stated that the estimate for Rs.0.78 lakh prepared in January 1989 for installation of capacitors in Valavanar pumping scheme was not approved by Government (January 1996). The compensation charges paid to TNEB was Rs.3.35 lakhs for Vaigai Dam during 33 out of 47 months from June 1991 to April 1995 and Rs.2.85 lakhs for Valavanar pumping scheme during 43 out of 63 months from November 1990 to January 1996.

Thus, the non-installation of capacitors in time had resulted in avoidable payment of compensation charges of Rs.6.20 lakhs.

When the matter was referred in June 1996, Government stated (November 1996) that the Compensation Charges levied by the TNEB was inevitable and it was only the charges levied for lesser units recorded than actuals and it was not a penalty. The reply was not tenable since the maintenance of the required power factor was prescribed by TNEB to enable it to derive certain technical advantages. The maintenance of the required power factor would also mean reduction in the actual hours of usage of electricity by the consumer. The Compensation Charge levied by the TNEB was therefore, in the nature of penalty for non-fulfilment of the conditions for supply of electricity.

4.12 Incomplete and defective investigation of a work

The work of excavation of a channel from Madhurantagam tank sanctioned by Government in March 1986 provided for, among other things, the construction of one additional weir of 82.35 metres length and excavation of channel.

(a) Construction of weir

The work entrusted on tender for Rs.22.68 lakhs in November 1988 provided for construction of four stepped apron. However, during execution from March 1989 to September 1991, it was found that the surface of the surplus course downstream of the weir was studded with boulders and rock outcrops for a considerable depth. The contract was foreclosed in September 1991 after executing body wall work for the value of Rs.7.35 lakhs. The balance work was entrusted to another contractor in July 1993 for Rs.9.92 lakhs with a provision of single stepped apron. The balance work was not completed for want of budget provision. It was noticed that the Chief Engineer (Irrigation) during inspection in July 1990 had opined that the construction of apron might be restricted to first apron since the site condition was of hard nature. The Superintending Engineer, Special Projects Circle, Krishnagiri, (SE-SPC) had also observed in November 1990 that the older weirs on either side had concrete and hard rock base aprons for a short width and that single stepped apron might be provided on the downstream side since the location was covered with soft disintegrated rock near body wall. The Superintending Engineer, Designs Circle also concurred with the view in September 1991. Further, the older weirs on either side had only single stepped apron. Thus, it was evident that the weir required atleast one single stepped apron. The failure of the department to investigate and provide the correct design at the initial stage based on site conditions and to provide single stepped apron suggested by the inspecting officer before foreclosing the contract of the original contractor had resulted in extra liability of Rs.5.15 lakhs, based on the agreement executed with the contractor for executing the balance work.

The department contended (August 1994) that every technical aspect could not be decided precisely during investigation due to varying site conditions. This was not tenable as the SE-SPC had observed in July 1991 that the approach to the weir was very narrow and was only 3 metres and that the weir would dispose of only the water that might find its way through that narrow channel. This site condition was not considered while designing the weir.

(b) Excavation of channel

The work of excavation of channel in the reach 6,350 metres to 7,500 metres entrusted to a contractor in November 1991 was foreclosed (October 1992) after excavation of the channel upto 6,990 metres as the remaining stretch was found to be leading through deep valley instead of cutting as provided in the estimate. The balance of work (19,498 cubic metres (cu.m.)) was awarded (May 1993) to another contractor at the rate of Rs.39.30 per cu.m. as against the rate of Rs.34 per cu.m. allowed in the previous agreement resulting in extra expenditure of Rs.1.03 lakhs. The department agreed that there was mistake in recording pre-levels.

The matter was referred to Government in June 1996; reply had not been received (December 1996).

4.13 Avoidable litigation

According to the Standard Data Book approved by the Chief Engineer (General), Public Works Department, the unit to be adopted for the item of work "Weathering course with concrete broken brick jelly of 20 mm. size in pure slacked lime to be laid in a single layer over roof slab etc.," should be in cubic metre only.

Records relating to the work "Construction of quarters for nursing staff in Government Rajah Mirasdhar Hospital at Thanjavur" in the Buildings Division II, Thanjavur revealed that in the tender schedule, while the unit of quantity of work to be executed was mentioned as "cubic metre", the rate to be quoted by the tenderer was wrongly mentioned as "square metre". In the single tender received (October 1987), the contractor quoted the rate for square metre for this item. The tender was finalised and agreement entered into with the contractor (March 1988) accordingly. During execution of the work, the contractor accepted the measurement of this item of work in cubic metre under protest. The work was completed in July 1989.

The Arbitrator appointed (September 1991) by the Sub-Court, Thanjavur following an appeal filed by the contractor, allowed the claim of the contractor and awarded (June 1992) Rs.1.30 lakhs with interest in addition to Rs.0.11 lakh already paid for this item of work. Sub-court, Thanjavur had also upheld (July 1993) the award passed by the Arbitrator and directed to pay Rs.2.84 lakhs inclusive of interest of Rs.1.54 lakhs from June 1989 to December 1992. The department preferred an appeal against the judgement in the High Court in December 1993 and the case was not admitted as of February 1996. In the meantime, based on the orders of the High Court (December 1994) on the petition filed by the contractor, 50 *per cent* of the award (Rs.1.42 lakhs) was deposited with the Sub-Court, Thanjavur. The High Court in September 1995 also ordered for release of the deposit and the amount was released in December 1995.

The rate worked out (Rs.226.40) in the estimate for this item was for cubic metre only. The contractor quoted Rs.235 per square metre which worked out to Rs.2,937.50 per cubic metre. The tender was finalised without correcting the error. It was also seen that the same contractor quoted Rs.260 per cubic metre for this item in respect of the work "Construction of Inspection Bungalow at Thanjavur" accepted by the same Circle in July 1988.

Thus, the failure of the departmental authorities to notice the error at the time of finalisation of tender and correct it before concluding the agreement had resulted in avoidable litigation and extra liability of Rs.2.84 lakhs.

In reply, the department accepted (February 1996) that the mistake was committed at lower levels and added that the Arbitrator had blown up the mistake.

The matter was referred to Government in April 1996; reply had not been received (December 1996).

CHAPTER V

STORES AND STOCK

FINANCE DEPARTMENT, ETC.

5.1 Irregularities in procurement of stores through Industrial Co-operative Societies

As per "Institutional priorities" prescribed (December 1984) by State Government, Government Departments/Statutory Boards/ Corporations etc. can place indents for their requirements directly without calling for tenders with units of Tamil Nadu Khadi and Village Industries Board (TNKVIB) units under the control of TNKVIB and Co-operative institutions with share capital assistance of Government . This procedure was to cover only the products manufactured by them and not the products merely marketed by them. Further, with a view to ensure quality and timely supply, Government ordered in August 1990, that the indenting departments should place their orders directly with TNKVIB and there should not be any direct contact with any of the Societies without the knowledge of TNKVIB. The concession of payment of 90 *per cent* of value of the indent as advance payment applicable to Khadi Krafts (1978) and to units of TNKVIB was extended to Industrial Co-operative Societies in October 1992 subject to the condition that these Societies should supply the articles to the indenting departments within 30 days, failing which the advance should be repaid with interest. Reviewing the non-performance of Industrial Co-operative Societies, Government ordered in May 1993 for restricting the advance to 50 *per cent* and subsequently in August 1994 completely scrapped the system of advance payments to all Industrial Co-operatives.

A test-check of transactions relating to procurement of stores by eleven[@] departments under "Institutional priorities" disclosed non-adherence of Government orders issued from time to time and blocking up of Rs.14.05 crores with 67 Societies out of total advance of Rs.24.05 crores paid during 1989-95. Irregularities committed by indenting departments are discussed in the succeeding paragraphs.

@ Departments of (1) Adi Dravidar and Tribal Welfare (2) Backward Classes and Most Backward Classes Welfare (3) Education (4) Environment and Forests (5) Handlooms, Handicrafts, Textiles and Khadi (6) Health and Family Welfare (7) Labour and Employment (8) Municipal Administration and Water Supply (9) Public Works (10) Rural Development and (11) Social Welfare and Nutritious Meal Programme.

(a) Procurement through Societies which were not manufacturers

None of the units under the control of TNKVIB were manufacturers of items like laboratory equipment, wet grinders and leather stitching machines (LSM). However, in 3[#] departments, orders were placed with 24 Societies during February 1993 to February 1995 for supply of these articles for a total value of Rs.5.42 crores. Records also disclosed that failure to resort to competitive bidding had resulted in avoidable additional expenditure of Rs.1.41 lakhs on procurement of 176 numbers of LSMs (Rs.0.88 lakh) and 106 numbers of 5 litre wet grinders (Rs.0.53 lakh) during 1993-94. The LSMs were purchased at the unit cost of Rs.2,500 as against the market rate of Rs.2,000 prevailing during 1993-94 as reported by Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO). Wet grinders were procured at the rate of Rs.6,000 as against Rs.5,500 paid by Director of Backward Classes and Minorities Welfare during 1993-94.

(b) Direct placement of orders

Disregarding specific instructions of Government, orders were placed directly with Industrial Co-operative Societies by 10[*] departments for supply of materials under various social welfare programmes, such as Jawahar Velai Vaippu Thittam (JVVT), 'improvement of science education', 'vocationalisation of secondary education', 'provision of steam laundry' and 'construction of cremation sheds'. Thirty eight out of fifty one of these Societies, to which advances of Rs.8.27 crores were made during January 1989 to March 1995 did not effect any supply. Director of School Education reported (March 1996) that two of these Societies (to which advance of Rs.97.86 lakhs had been paid during March 1993) were found to be bogus and were not functioning at the addresses given. For the work relating to supply and erection of steam laundries at 10[&] Government hospitals, orders were placed in February 1993/March 1994 on 6 Societies and Rs.1.44 crores were paid as advance during February - March 1993 and March 1994; but these Societies effected only

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\# Departments of (1) Adi Dravidar and Tribal Welfare (2) Education and (3) Public Works.

* Departments of (1) Adi Dravidar and Tribal Welfare (2) Backward Classes and Most Backward Classes Welfare (3) Education (4) Environment and Forests (5) Health and Family Welfare (6) Labour and Employment (7) Municipal Administration and Water Supply (8) Public Works (9) Rural Development and (10) Social Welfare and Nutritious Meal Programme.

& Government Headquarters Hospitals at (1) Cuddalore (2) Kancheepuram (3) Nagapattinam (4) Nagercoil (5) Ramanathapuram (6) Sivaganga (7) Thiruvannamalai (8) Tiruppur (9) Tuticorin and (10) Government Tuberculosis Hospital, Nagercoil.

partial supply for a value of Rs.83.15 lakhs as against the advance payment of Rs.1.44 crores. These works were to be completed within three to six months from the date of placement of orders. In view of non-completion of the works by these Societies, the steam laundries could not be made functional in Government Hospitals. TNKVIB had expressed its inability to take action against 51 defaulting Societies as orders had been placed directly. Legal proceedings had been initiated in 3 cases (Rs.20.74 lakhs) and police complaints were lodged in 13 other cases for recovery of pending advances (Rs.4.40 crores).

(c) Failure to restrict advances to 50 *per cent* of the value of the order

In December 1992, TAHDCO released an advance of Rs.1.50 crores amounting to 75 *per cent* of the cost of supply of 2,000 cobbler bunks with LSMs. Further advance of Rs.30 lakhs was also released in August 1993. Release of 90 *per cent* of cost of supplies was contrary to the instruction of Government which stipulated restricting the advances to these Societies to 50 *per cent* of the value of order. Similarly, advance payment of Rs.7.29 lakhs made in September 1993 by Director of Most Backward Classes and Denotified Communities to an Industrial Society for supply of 135 wet grinders was excessive to the extent of Rs.3.24 lakhs (80 *per cent*).

(d) Unauthorised payment of advances

Though Industrial Co-operative Societies were not eligible for any advance payment prior to October 1992, advances to the tune of Rs.3.38 crores had been paid during January 1989 to October 1992 to 15 such Societies by 8 departments. As these Societies had failed to complete the supply, an amount of Rs.1.52 crores was still pending recovery as of June 1996. Further, inspite of scrapping the system of advance payments to Industrial Co-operative Societies from August 1994, TAHDCO and Director of Adi Dravidar and Tribal Welfare had paid advance payments of Rs.1.19 crores to 7 Societies during August 1994 to March 1995. As these Societies had effected only partial supply of the indent, proportionate advance payment of Rs.78.57 lakhs remained blocked with these Societies.

(e) Failure of TNKVIB to ensure quality and timely supply

An advance of Rs.1.73 crores was made to TNKVIB in December 1993 by Director of Social Welfare and Nutritious Meal Programme towards supply of 19.50 lakh pairs of footwear for distribution during 1993-94 to school children under the scheme of "Free supply of footwear to school-going children". The work order was distributed by TNKVIB to 14 societies and as of January 1996, only 5.29 lakh pairs of the value of Rs.93.83 lakhs were supplied. As the scheme was discontinued, TNKVIB was required (February 1996) to supply footwear for the outstanding advance of Rs.79.23 lakhs. Neither the supply was made nor the advance of Rs.79.23 lakhs was refunded by TNKVIB as of June 1996.

TAHDCO received 4,123 cobbler bunks during 1991-94 through TNKVIB at Rs.7,500 per bunk. According to Superintending Engineer and General Manager, TAHDCO quality of the work was poor. No recovery had been made in respect of poor quality. Similarly, out of Rs.26.21 lakhs worth of play materials received in Dindigul-Anna, Periyar and Salem Districts during 1992-93 under Tamil Nadu Integrated Nutrition Programme, play materials for a value of Rs.23.59 lakhs required replacement due to poor quality. Neither the replacement had been made nor refund effected. Records also disclosed that of 2,727 brass iron boxes supplied through TNKVIB to Directorate of Most Backward Classes and Denotified Communities, 393 boxes were found to be underweight. Proportionate cost had not been assessed and recovered as of June 1996.

Under JVVT, in 11 Panchayat Unions in Chidambaranar District, TNKVIB through a Co-operative Society manufactured and supplied steel and RCC information boards costing Rs.32.68 lakhs during May 1991 to July 1992. But, value of the work as executed was assessed by Panchayat Unions as Rs.9.15 lakhs only. The excess payment had not been recovered from the Society as of June 1996.

Thus, the objective of ensuring quality/ timely supply through direct placement of orders with TNKVIB was not achieved. Moreover, undue benefit was extended to the Co-operative Societies.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

HEALTH, INDIAN MEDICINE AND HOMOEOPATHY AND FAMILY WELFARE DEPARTMENT

5.2 Purchase of medicine

(i) Purchase of medicine at excessive price

Tenders for supply of medicines were called for (March 1992) by Director of Medical Education (DME) from manufacturers of drugs, stipulating the last date for receipt of tenders as 16 April 1992. Rates quoted were to be valid upto 30 June 1993. Three offers were received for Pralidoxime Iodide (P_2AM) injection from firms X, Y and Z quoting Rs.104, Rs.154 and Rs.260 per ampoule of 20 ml. (500 mg.) respectively and these quotations were valid upto June 1993. The lowest offer of 'X' was rejected in July 1992 by the Purchase Committee headed by Director of Medical and Rural Health Services (DM & RHS) on the ground that the firm did not possess the licence for manufacture of the drug beyond December 1990, though the department was in possession (July 1992) of copy of the licence valid upto December 1993 of firm 'X'. Next higher rate of 'Y' was not considered as the firm was only a distributor and not a manufacturer. Offer of firm 'Z' was accepted in October 1992 and contract was awarded to it for supply upto 30 June, 1993 and later extended periodically by Government for supply upto September 1994 without resorting to fresh tenders. Total quantity of 69,917 ampoules costing Rs.1.91 crores (including taxes) were purchased (23,095 ampoules upto June 1993 and 46,822 ampoules during extended period of July 1993 to September 1994) from firm 'Z'.

Following observations are made in this regard.

According to tender conditions, the tenderer should invariably certify that the rates quoted by them did not exceed the market rate. Scrutiny of documents disclosed that firm 'Z' did not furnish any such certificate. Records did not indicate any independent exercise made to ascertain the market rate, despite lower offers of 'X' and 'Y'. The valid drug licence extended upto December 1993 was made available by firm 'X' to the department in July 1992 well before the rejection of tender of firm 'X' and acceptance of offer of 'Z' (October 1992). To an Audit query, DM & RHS stated that the rate approved for previous year (1991-92) was Rs.185 and allowing for escalation of price, a lower price was not taken into consideration. The contention of the department was not acceptable in view of the specific condition that the rate should not exceed the market rate. Audit scrutiny also disclosed that Government Stanley Medical College Hospital had purchased the drug locally at Rs.85.80 and Rs.88.50 during April and August 1992 and Rs.114.45 in October 1992. Even during the entire period of contract (October 1992 to September 1994), Government Hospitals at Coimbatore and Chennai had purchased the medicine at rates varying between Rs.130 and Rs.59.50 only.

Government replied in October 1996 that the drug was supplied by firm "Z" in a kit with a disposable syringe, needle, cotton swabs and file to cut open the ampoule, enabling the doctor to start the treatment immediately. The firm had also furnished a certificate that the rates quoted by them did not exceed the market rate. Further, the local purchases at lower rates cited in Audit were made prior to the finalisation of the tender.

Government's reply was not tenable as items like cotton swabs, file, sterile syringe are the basic facilities available in any hospitals. Further, cost of these items would be meagre compared to the difference in price of the medicine as compared to prevailing market rate. The certificate reported to have been furnished by the firm was neither in the file nor made available to Audit. Instances of local purchases at lower prices cited were made only after the award of contract to firm "Z" and during the currency of the contract.

Failure to exercise prudence in ensuring that the price accepted did not exceed the market rates resulted in avoidable excess expenditure of Rs.1.02 crores on the purchase of 69,917 ampoules from firm 'Z'.

(ii) Injudicious purchase of medicine

Based on the orders placed by DM&RHS, 73,690 bottles of dextrose 5 *per cent* (540 ml.) worth Rs.7.56 lakhs were supplied to Government Headquarters Hospital, Nagercoil during June 1992 to August 1993, even though no periodical indents were placed by the hospital for the drug. Instructions were issued in January 1993 to all the institutions by the department to receive all the items supplied without refusal. Purchase of the drug without ascertaining the requirement of the hospital resulted in 16,505 bottles of the drug with expiry dates ranging between September 1994 and January 1995 costing Rs.1.63 lakhs remaining unutilised.

Government replied in November 1996, that the drug was an essential life saving one and it would not be possible to predict the number of patients who might require this drug and large quantities of the drug were purchased only in public interest. The reply was not tenable, as the trend of consumption, available stock position and need of the drug in the Hospital were not examined properly by the DM & RHS before ordering for huge quantities of the drug, which had resulted in infructuous expenditure of Rs.1.63 lakhs.

PUBLIC WORKS DEPARTMENT

5.3 Irregular purchase of stores

The works under National Water Management Project (NWMP) are executed in Tamil Nadu with World Bank assistance. A test-check was carried out by Audit of the records made available by the Thambaraparani Sub-project Implementation Division I. Records relating to 100 estimates sanctioned between January 1990 and June 1995 were test-checked and it revealed as under:

(i) According to the guidelines issued by Government in December 1989, procurement of stores for projects financed by the World Bank was to be made through open tender system by giving publicity in newspapers. However, the division, during 1990-91 to 1994-95, instead of calling for open tenders, had purchased shutters and gauging platforms for a value of Rs.1.13 crores directly from 4 Industrial Co-operative Societies and 4 Agro Engineering Service Co-operative Centres. The rate adopted by the Societies for mild steel was abnormally high (viz., Rs.41,500 per metric tonne (MT) as against Rs.15,500 per MT stipulated in the PWD Schedule of Rates for 1994-95). Based on the quantity of steel utilised in the work, the extra expenditure on account of abnormally high rates for steel adopted by the Societies in respect of 8 cases (Purchase value: Rs.11.06 lakhs) worked out to Rs.3.07 lakhs.

(ii) In 91 cases test-checked, advance payments of Rs.93.67 lakhs were made to suppliers for supply of materials and there were delays in receipt of supplies for periods ranging from 3 to 58 months. There was no penal provision in the supply order for such belated supplies.

(iii) According to Article 124 of the Tamil Nadu Financial Code, stores should not be procured far in advance of requirement as it would result in blocking of Government money. However, it was noticed that in 24 cases, materials worth Rs.23.07 lakhs were procured even though the estimates for civil works had not been prepared as of May 1996. This had resulted in locking up of Government funds.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

RURAL DEVELOPMENT DEPARTMENT

5.4 Defective procedures in purchase of Colour Television Sets

With a view to strengthening communication and information set up in rural areas, Government decided in August 1995 to supply one Colour Television set (CTV) to each rural habitation with 50 or more families. The expenditure was to be shared between Government and Panchayat Unions. Agencies for supply of CTVs, antennae and boosters were finalised (October 1995) by 'TV sets approval committee' consisting of Secretary, Rural Development Department, Director of Rural Development and Regional Radio Officer, after resorting to "short tender" procedure, under which 197 TV manufacturers and 132 TV antenna and booster manufacturers were directed to quote in a prescribed format, sent by certificate of posting in October 1995. Based on TV sets approval committee's report (October 1995), Government sanctioned in December 1995 Rs.71.59 crores for purchase of 45,302 CTVs at the rate of Rs.14,500 per set, antennae and boosters. The supplies were to be effected before the end of January 1996. The companies had also given undertaking to attend to breakdown within 72 hours of receipt of complaint. 45,302 CTVs, 45,300 antennae and 44,201 boosters were supplied by the firms during December 1995 to February 1996. As of June 1996, 26,853 CTVs were installed.

Audit scrutiny of the records leading to the purchase of CTVs disclosed as under:

(i) According to Government Financial Rules, whenever the estimated value of order to be placed is more than Rs.25,000, 'Open tender', i.e., invitation to tender by public advertisement should be adopted. Limited tender (direct invitation to a limited number of firms) can be resorted to, when estimated value of order does not exceed Rs.25,000. Further, in respect of large contracts, at least one month's time from the date of advertisement should be allowed for submission of tenders. Purchase procedure followed by the department for procuring CTVs for a total value of Rs.71.59 crores was, thus, violative of financial rules of Government. The time of 15 days allowed for the short tender (6 to 20 October 1995) was also not sufficient to evoke wider response. One of the Government Undertakings had reported that the enquiry call posted on 6 October 1995 was received on 27 October 1995 and sought for extension of time which was not granted. Records did not indicate any urgency, for by-passing the open tender procedure. Government in Rural Development Department had contended that the list of 197 manufacturers covered all the 38 CTV manufacturers mentioned in the list produced (August 1995) to Parliament by Department of Electronics and Ocean Development, Government of India (GOI) and hence reliable. Considering possible subsequent additions and deletions in the list of manufacturers and possible postal delays and miscarriage of letters, the procedure would not be fool- proof. Only 11 tenderers had participated out of 197. Thus, the benefit of competitive bidding had been lost due to irregular procedure adopted.

(ii) It was seen from the format seeking information from manufacturers that the technical requirement of the department had not been specified. Tenderers were to confirm whether "Economy Model 20" (non-remote) was manufactured and technical details thereon were to be furnished. Technical features furnished by suppliers were not uniform and variations were noticed under energy consumption, range of voltage fluctuation, stage of module, circuit configuration, type of picture tube (indigenous/imported), etc. As a result, the Approval Committee did not have any baseline data for objective technical and cost evaluation of models offered by tenderers *vis-a-vis* departmental requirement. The Committee approved the model of the lowest offer of Rs.14,500 and negotiated for a uniform price of Rs.14,500 for other models also with superior technical features which were quoted at rates varying from Rs.14,880 to Rs.15,290.

Government in Rural Development Department had contended that CTVs proposed to be supplied to Government were exclusively designed for Government and were not available in local market for price comparison. As the department had not indicated its technical requirement while calling for quotation, the above contention regarding exclusive design was not tenable. Thus, in the absence of any assessment of reasonable market rate even for minimum features CTV set at least subsequently, evaluation of the tenders was not on comparable basis and hence, defective. Incidentally, it was observed that the Government undertaking, whose offer was rejected on account of delayed tender, had quoted Rs.12,265 per unit and their specifications were similar to one of the models approved by Government. Thus, failure to ascertain through open tender a reasonable rate for the acceptable minimum requirement of the department and restrict the purchase to that specification had resulted in avoidable additional expenditure of Rs.10.12 crores as compared to the rejected offer.

(iii) While negotiating the rate at Rs.14,500 with manufacturers, one of the factors taken into account by the Committee was the need for extra shifts involving payment of double wages, extra price to procure critical components like picture tube, etc., in view of shorter time required for supply. Government in Finance Department had observed that there was absolutely no pressing urgency that the CTV sets should be installed in a short time. The CTVs were to be provided by 31 March, 1996. Considering the production capacity of 15,000 to 48,000 sets per month, requirement of the department could have been met without extra cost to the manufacturers. The manufacturer to whom maximum number of sets had been allotted (25,000) had agreed to supply 25,000 sets before 31 December, 1995 and 35,000 sets before 31 January, 1996. It was also observed from letters of approved manufacturers that additional financial burden to them towards double wages etc., was projected in the context of seeking 100 *per cent* advance payment. Hence, the price increase attributable to these factors was not warranted.

(iv) Another factor which weighed with the Committee in recommending the price was inclusion of warranty clause for one year. However, as 18,449 CTVs were not installed, the benefit of warranty (Rs.46.12 lakhs at Rs.250 per set) could not be availed.

(v) Despite placing bulk order, concessions normally admissible were not sought for. The CTVs had been purchased straight from manufacturers and hence, Government should have ensured that the approved price was at least not more than the dealer price (which included cost price, central excise duty, profit and transportation charges). Comparison of prices of the approved models with dealer prices of the same/similar or superior models revealed as under:

Serial Number	Name of the Manufacturer of CTVs	Models approved and supplied to Government	Same/ similar models compared (Model numbers)	Quantity supplied (sets)	Price accepted and paid per set (Rupees)	Dealer price of models compared per set (Rupees)	Percentage of price variation	Excess amount paid (col.6 - col.7 x col.5) (Rupees in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	M/s Solidaire	T 20-3120 (Grundig)	T 20-3120 as listed in col.3	4700	14500	13980	3.72	24.44
2.	M/s Videocon	5302 E-TNG	5108 R (supplied without remote handset unit)	9448	14500	11990 (includes cost of sensor memory circuit board and remote handset)	20.93	237.14
3.	M/s BPL	ETN-9603	EBN/EBR	23598	14500	12858 (EBN-Non-remote)	12.77	387.48
4.	M/s Uptron	C-2502	2540 FS (Superior model)	4700	14500	11869.45	22.16	123.63
5.	M/s Keltron	MN-7120	8047 (Superior model)	2856	14500	11700	23.93	79.97
		Total		45302				852.66

col.: column

In the case of Uptron and Keltron CTVs, superior models with more technical features were available at a lesser price in the market than the price paid by Government for approved models. In the case of BPL CTVs, a model with same features like that of the model supplied to Government was available at a far lesser price. Solidaire (Grundig) model approved by Government was available in the market at a lesser dealer price. Although model 5302E - TNG of Videocon was approved by Government, test-check revealed that model 5108R was actually supplied with a sticker pasted on them bearing the model number 5302E-TNG. Users guide book supplied along with the CTV was for model number 5117R. Dealer prices of models 5117R and 5108R were the same and was far less than the price paid by Government.

Therefore, prices paid by Government for all the approved models viz. Rs.14,500 per set were exorbitant and an injudicious payment of Rs.8.53 crores had been made to the suppliers.

(vi) According to instructions of Government, Panchayat Unions should purchase only ordinary type/economy model. However, Government had approved, on the recommendation of the Committee, purchase of sophisticated and delicately designed CTVs increasing the cost of the scheme.

(vii) No assessment of availability of infrastructure facilities like accommodation to house the CTVs, power supply etc., was made prior to purchase of CTVs. Only after receipt of CTVs, Government issued instructions to install CTVs in temples, noon-meal centres, community centres, libraries, schools, overhead tanks' rooms, etc. As of June 1996, only 26,853 CTVs were installed and the remaining 18,449 sets including antennae and boosters costing Rs.28.58 crores were kept idle for want of infrastructure facilities. Even in respect of installed sets, it was reported that 249 CTVs costing Rs.38.57 lakhs were kept in private houses, defeating the objective of community viewing. The large scale non-installation would clearly indicate that there was no real urgency to get all the sets supplied in a very short period. Procurement of the CTVs at higher cost, partly on account of urgency clause was, thus, not justifiable.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

6.1 General

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/ authorities, by and large, receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956, etc., to implement certain programmes. The grants were 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 1995-96, financial assistance of Rs.1637.80 crores was paid to various autonomous bodies and others broadly grouped as under:

(Rupees in crores)

Serial number	Name of institutions	Amount of assistance paid		
		Grant	Loan	Total
1.	Universities and Educational Institutions	794.24	0.09	794.33
2.	Municipal Corporations and Municipalities	0.96	11.10	12.06
3.	Zilla Parishads and Panchayat Raj Institutions	190.74	20.46	211.20
4.	Development Agencies	39.60	0.52	40.12
5.	Hospitals and other Charitable Institutions	1.20	10.06	11.26
6.	Other Institutions	156.12	412.71	568.83
	Total	1182.86	454.94	1637.80

6.2 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 Accountant General within one year from the date of sanction unless specified otherwise.

Of 1,75,851 utilisation certificates due in respect of grants aggregating Rs.2073.23 crores paid during the period from March 1981 to March 1995, only 4,429 utilisation certificates for Rs.234.79 crores had been furnished by 30 September, 1996 and 1,71,422 certificates for an aggregate amount of Rs.1838.44 crores were in arrears. Department-wise break-up of outstanding utilisation certificates as on 31 March, 1996 is given below :

Serial Number	Department	Number of Certificates	Amount (Rupees in lakhs)
1.	Adi Dravidar and Tribal Welfare	850	493.53
2.	Agriculture	97	134.15
3.	Animal Husbandry and Fisheries	19	361.69
4.	Co-operation, Food and Consumer Protection	25	22.92
5.	Education, Science and Technology	1,61,374	1,59,643.22
6.	Finance	2	0.73
7.	Handlooms, Handicrafts, Textiles and Khadi	3	1.30
8.	Health, Indian Medicine and Homoeopathy and Family Welfare	80	106.60
9.	Housing and Urban Development	2	7.73
10.	Industries	3	19.66
11.	Information and Tourism	20	2.91
12.	Municipal Administration and Water Supply	1,341	11,360.80
13.	Public Works	186	8.50
14.	Revenue	461	182.89
15.	Rural Development	272	8701.23
16.	Social Welfare and Nutritious Meal Programme	6,687	2796.63
	Total	1,71,422	1,83,844.49

The outstanding number of certificates and the amount involved had increased considerably compared to previous years which clearly indicated that the amounts were being released as a matter of routine without insisting on the furnishing of Utilisation Certificates.

6.3 Delay in submission of accounts

In order to identify institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit, every year, detailed information about financial assistance given to various institutions, purpose for which assistance was sanctioned and total expenditure of the institutions. Information for the year 1994-95 called for in August 1995 was awaited as of May 1996 from 26 departments of Government and from many Heads of departments. Of the defaulting departments, the following had not furnished information for a number of years as indicated below:

Serial Number	Name of the department	Year from which information had not been furnished
1.	Agriculture	1988-89
2.	Commercial Taxes and Religious Endowments	1989-90
3.	Education, Science and Technology, Educational institutions and Miscellaneous institutions	1987-88
4.	Environment and Forests	1994-95
5.	Information and Tourism	1990-91
6.	Municipal Administration and Water Supply	1985-86
7.	Rural Development	1984-85
8.	Social Welfare and Nutritious Meal Programme	1994-95
9.	Miscellaneous Institutions	1988-89

Particulars regarding Government Companies are featured in Report of the Comptroller and Auditor General of India (Commercial) Government of Tamil Nadu, every year.

Audit of accounts of the following bodies had been entrusted to the Comptroller and Auditor General of India for the period of 5 years as detailed below:

Serial Number	Name of body	Period of entrustment	Date of entrustment
1.	Tamil Nadu Water Supply and Drainage Board, Chennai	1992-93 to 1996-97	03.01.1994
2.	Tamil Nadu State AIDS Control Society, Chennai	1995-96 to 1999-2000	15.02.1996

6.4 Audit arrangement

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

Serial Number	Name of the Institution	Audit conducted by
1.	Panchayat Raj Institutions	Examiner 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
	(c) Polytechnics	Internal Audit and Statutory Boards Audit Department
	(d) Universities	Examiner of Local Fund Audit
3.	Co-operative Institutions	Director of Audit of Co-operative Societies
4.	Miscellaneous Institutions	Chartered Accountants

6.5 Audit findings

Of 284 bodies/authorities, whose accounts for 1994-95 were received, 150 bodies/authorities attracted audit under the provisions of Section 14 of the Act. Of these, 51 bodies/authorities were audited.

Certain interesting points arising out of audit are mentioned in the succeeding paragraphs.

ENERGY DEPARTMENT

6.6 Irregular drawal of funds

According to Financial Rules, in respect of grants-in-aid to grantee institutions, only so much of the grant should be paid during any financial year as is likely to be expended during that year. Authority signing or countersigning a bill for grants-in-aid should see that money is not drawn in advance of requirement. Further, unless it is otherwise ordered by Government, every grant made for a specific object is subject to the implied condition that any portion of the amount which is not ultimately required for expenditure on that object should be duly surrendered to Government. Non-observance of the Financial Rules resulted in blocking of Rs.15 lakhs with Tamil Nadu Energy Development Agency (TEDA) for over four years as discussed below.

Accepting proposal of TEDA (May 1991), State Government sanctioned (October 1991) Rs.15 lakhs towards purchase of 100 hectares of land in Kayathar for establishment of wind energy farm with World Bank assistance. The amount was credited to the Personal Deposit account of TEDA under "Civil Deposits" by State Government on 18 March,1992. No land was acquired by TEDA, as the project was not cleared by World Bank and the grant of Rs.15 lakhs remained unutilised with the grantee for over 4 years (June 1996).

Records of TEDA disclosed that Ministry of Non-conventional Energy Sources (MNES) of Government of India informed Government of Tamil Nadu in December 1991 that the World Bank project sought to promote only private sector participation and called for details of incentives available in the State. TEDA was also apprised of this position by MNES in February 1992. On request of TEDA (November 1992), State Government approached (January 1993) MNES for assistance of World Bank for the project under public sector. The project was not cleared as of January 1996. On non-utilisation of the grant being pointed out in audit in April 1994, TEDA sought (September 1995) permission of State Government for refunding the unutilised amount. State Government ordered TEDA in January 1996 to refund the amount, and it was remitted to Government account only in July 1996.

Thus, release of grant by State Government, inspite of knowing that the project was not eligible for World Bank assistance, resulted in blocking of Rs.15 lakhs with TEDA for over 4 years.

In reply, Government stated (October 1996) that the project was contemplated under public sector and TEDA was hopeful that it would be sanctioned by World Bank.

ENVIRONMENT AND FORESTS DEPARTMENT

6.7 Tamil Nadu Pollution Control Board

"Tamil Nadu Pollution Control Board" (Board), was constituted with effect from February 1982 for enforcing Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981 and Environment (Protection) Act, 1986 in the State. These Acts aim at prevention, control and abatement of water and air pollution through planning comprehensive programmes and securing execution thereof. The Board is to lay down standards for control of industrial, vehicular and noise pollution and also for their treatment. The Board is also to evolve economical and reliable methods for treatment of sewage and trade effluents, utilisation of the same in agriculture and their disposal on land.

The Board, in addition to its own sources of income, viz., sale of consent application forms, collection of consent fees and analytical fees, reimbursement of water cess by Government of India (GOI), interest on bank balances and fixed deposits, received financial assistance of Rs.3.25 crores from GOI (Rs.83.65 lakhs) and Government of Tamil Nadu (Rs.2.41 crores) during 1989-90 to 1994-95 and incurred an expenditure of Rs.25.06 crores during 1989-95.

A review of the aspects relating to enforcement of the regulatory enactments by the Board from 1989-90 to 1994-95 was conducted by Audit during September 1995 to March 1996 through test-check of records which disclosed the deficiencies discussed in the succeeding paragraphs.

(i) In order to plan and execute comprehensive programmes for prevention, control and abatement of pollution, the Board is to conduct a survey of streams, wells and industries. But, no detailed survey was conducted by the Board. At the request of Government, surveys of selected stretches of streams had been conducted. Though the Board had, to end of September 1995, identified 15,816 industrial units to come under the purview of the Act, information on total number of industrial units attracted by the provisions of these Acts was not furnished by the Board. No annual plan to identify the industries was formulated by the Board. Government stated that due to limited staff, it was not possible for the Board to survey all the water sources. However, to an audit enquiry regarding manpower evaluation, the Board stated that the staffing was need-based. As the Board was competent to create and fill up the posts, staff constraint was not justifiable.

(ii) Issue/renewal of consents

Under Water/Air (Prevention and control of pollution) Act, all new/existing units have to obtain consent of the Board for discharging the effluents. According to the Board, all consents are valid upto 31 March of the year.

Against 15,816 industrial units identified by the Board upto the end of 30 September, 1995 to attract the provisions of the Act, consent had been accorded for 14,197 industrial units alone during 1989-95. Of the remaining 1,619 industrial units which had not applied for consent, 1,034 units belonged to Red category (highly polluting) and 478 to Orange category (less polluting). Records disclosed that notices had been issued to 732 units and closure orders served on 226 units. 40 of the 226 units, against which closure notices combined with stoppage of power supply were issued, were still operating. Twenty four units had obtained stay orders from State High Court during 1994 and 1995 and appeals against implementation of closure orders in 8 cases were pending with Appellate Authority. These stay orders were yet to be got vacated by the Board (March 1996). Despite applicability of the Acts being brought to the notice of Government in February 1993, none of the Government Hospitals had applied for consent. Further, though local authorities were required under orders of State Government (April 1992) to apply for consent of the Board for discharge of sewage, only 96 out of 13,384 local authorities purchased consent application forms. Three local bodies had applied for consent. Records did not indicate of any penal/legal action taken by the Board as contemplated in the Acts, against defaulting hospitals and local authorities for ensuring compliance with regulatory measures. Government stated (October 1996) that the hospitals were being persuaded to apply for consent. Government had also stated that due to paucity of funds, local bodies could not put up sewerage treatment plants.

(iii) Based on the representations from Small Scale Industries (SSIs), the Board had, without approval of Government, kept outside the purview of the Act, 147 categories of SSIs employing less than 20 workers.

(iv) Construction of Common Effluent Treatment Plant

As tiny SSIs could not afford to provide individual Effluent Treatment Plant (ETP), GOI launched a major scheme in June 1990 to provide assistance for construction of Common Effluent Treatment Plants (CETPs) for clusters of SSIs. Under the scheme, SSIs were encouraged to organise themselves into Associations/Companies and assume full responsibility for setting up, operating and maintaining CETPs. In Tamil Nadu, construction of CETPs was executed through the Board and Tamil Nadu Leather Development Corporation (TALCO), a Government of Tamil Nadu enterprise.

Under this programme, establishment of 54 CETPs[1] during 1990-95 was envisaged. As of March 1996, only 7 plants[2] were completed and commissioned. Work in respect of 18 plants was in progress. Remaining plants could not be taken up due to non-identification of site (5) and non-finalisation of project report (9) and proposals (15). Non-provision of CETPs resulted in trade effluents to the tune of 1.61 lakh kilo litres per day discharged by 2,608 units without treatment causing pollution of soil, sub-soil water and environment. Due to pollution of soil, State Government had to order (October 1995) waiver of land revenue (Rs.1.48 lakhs) in respect of 35,000 hectares of land in North Arcot-Ambedkar District. Despite large-scale pollution, the Board imposed closure orders on 24 units only in this district. Failure of the Board to take effective action in respect of other units led to a Public Interest Litigation, on which the Supreme Court had ordered (May and September 1995) closure of 219 tannery units in this district. The Supreme Court had also ordered in April 1996 closure of all the tanneries (more than 200) in five districts which were not connected to seven CETPs already completed and commissioned. Non-establishment of the CETPs had also resulted in blocking of Central/State Government assistance of Rs.2.91 crores with the Board.

(v) Hazardous wastes

The Hazardous Wastes (Management and Handling) Rules, 1989 envisage a continuous programme for identification of sites and compilation of inventory of disposal sites within the State for disposal of hazardous wastes after an Environmental Impact Assessment (EIA) study.

The Board had, as of March 1996, identified 9 sites for establishing common hazardous waste disposal facility to cover all the districts. Suitability of the site had been established through EIA studies only in one case (Manallur), but the facility for disposal could not be provided there due to objection by local people as the site was being used for grazing and threshing purposes. An expenditure of Rs.19.35 lakhs had been incurred on the EIA study. EIA study was in progress in one site (Siruseri) and in other cases permission of Collector sought for during July 1993 to June 1995 for undertaking such studies was awaited.

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1. Board (37); TALCO (17).

2. CETP Commissioned : Board (5); TALCO (2).

Due to non-establishment of common hazardous waste disposal facilities, hazardous waste to the tune of 2.71 lakh metric tonnes (MT) generated by 747 units all over the State every year was being disposed of through land filling and storing/dumping in areas earmarked, within the premises of industries, causing threat to environment.

As per the Rules, all units generating hazardous waste have to obtain the authorisation of the Board for the purpose of collection, reception, treatment, transport, storage and disposal of such wastes. Of 747 units identified by the Board which generate hazardous wastes, 629 units had applied for authorisation and authorisation had been issued to 493 units (January 1996). Authorisation in respect of the remaining units was not issued partly due to non-furnishing of requisite particulars to the Board and partly due to the tannery units becoming members of CETPs. As already mentioned, many of the CETPs were yet to be established. Information regarding the action taken by the Board in respect of the 118 units which had not applied for authorisation was awaited (January 1996). The continued functioning of units without authorisation of the Board was in violation of the provisions of the Act.

(vi) Launching of prosecution

Both the Water and Air Acts contemplate penal action against offenders under the Acts.

To end of 1994-95, the Board had initiated legal action against 454 units under Water and Air Acts. Out of 272 cases disposed of by various Courts so far, 117 cases were decided against the Board. Perusal of 10 of the said judgements made available by the Board revealed as under :

(a) non-communication of consent or rejection within the statutorily prescribed period of 4 months from the date of the application;

(b) non-attendance at the Court by the Board officials;

(c) non-furnishing of the date of collection of effluent samples;

(d) non-observance of required procedure before collection of effluent samples;

(e) non-furnishing of copy of the report of analysis of the sample; and

(f) lack of advice from the Board regarding modality for achieving the prescribed standards.

Government pleaders had opined that there was no scope for further appeal in these cases. Because of failure of the Board, regulatory action would have to be initiated *denovo*.

(vii) Board Laboratories

Three Advanced Environmental Laboratories (AELs), 3 District Environmental Laboratories (DELs) and 6 Mobile Environmental Laboratories (MELs) were established to analyse the samples of effluent and to conduct Ambient Air Quality (AAQ)/Stack Monitoring (SM) survey for industries.

Against the annual target of 24 industries of Red category (highly polluting) in Coimbatore, AAQ/SM surveys were conducted in respect of 6 , 13 and 10 only during 1992-93, 1994-95 and 1995-96 respectively, due to staff constraints, repairs to equipment, etc. Records did not indicate of any action taken for filling up the posts and for repairs/ replacement of defective equipment despite favourable financial position of the Board.

(viii) In order to study the impact of pollution caused by various domestic and industrial activities, the Board had been implementing on behalf of Central Pollution Control Board (CPCB), programmes of Global Environmental Monitoring System (GEMS), Monitoring of Indian National Aquatic River System (MINARS) and National River Action Plan, Cauvery. Analysis of samples collected under these programmes in selected locations disclosed that the average values of physico-chemical and bacteriological parameters did not meet the standards prescribed for surface water and faecal contamination of surface water of river Cauvery was a common phenomenon along the course of the river basin due to unhygienic anthropogenic activities and disposal of either untreated or partially treated municipal wastes into the river systems.

Though periodical reports were being sent to CPCB and Director of Public Health and Preventive Medicine (DPH & PM) was addressed in this regard, no remedial action had been initiated either by CPCB or by the Board or by DPH & PM and the water contamination remained unabated.

(ix) Polluted waterways of Chennai city

Due to growing population and poor infrastructural facilities, the City waterways[3] had become receptacles for a wide range of domestic, commercial and industrial effluents and the accumulated sludge posed a public health hazard and environmental nuisance. Though samples were being taken since 1989 from 4 of these waterways and analysed by the Board, no tangible action had been initiated to contain pollution in these waterways. In January 1996, proposals were submitted by State Government to GOI with a project cost of Rs.355.30 crores for presentation to European Commission for funding towards sustainable development of these waterways through 'Municipal Solid Waste Management, provision of low-cost sanitation, sludge removal etc. Final outcome was awaited (March 1996). Comparative studies undertaken by a private agency (C.P.R. Environmental Education Centre) disclosed that water in some areas had become unfit for drinking because of seepage of sewage from the waterways into the ground water.

(x) Marine pollution

Under Coastal Zone Monitoring Programme, 5 rounds of surveys were carried out by the Board at the cost of Rs.12.33 lakhs during 1988-89 to 1989-90 at 35 stations in 5 sectors[4]; samples analysed showed high level of contamination by domestic sewage and other organic wastes. Though the status of marine pollution along the Tamil Nadu Coast was presented to CPCB in April 1991 and to Marine Engineering Division, New Delhi in March 1992 by the Board, no action had been initiated either by GOI or by CPCB or by the Board to prevent/control marine pollution.

(xi) Pollution caused by vehicles

GOI brought into force Rule 115(2) of the Central Motor Vehicles Rules, 1989 with effect from March 1990 and Rules 126 and 127 with effect from April 1991 prescribing (i) safe limit of emission of smoke and gases from vehicles and (ii) testing of vehicles to conform to the laid-down emission norms. State Governments were required (March 1990 and August 1991) to carry out necessary pollution tests. Accordingly, State Government ordered in February 1992 that all

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3. (1) River Cooum, (2) River Adyar, (3) Buckingham Canal, (4) Otteri Nullah and (5) Captain Cotton Canal.

4. Ennore to Madras, Madras to Pondicherry, Cuddalore to Point Calimere, Point Calimere to Mandapam and Mandapam to Cape Comerin.

goods carriages in Chennai city should obtain a certificate from the Board on the level of emission before the vehicles were taken for fitness certificate. The scheme was extended in June 1994 to cover all types of vehicles in Chennai city and 3 other districts.

As ordered by State Government in February 1992, the Board set up with effect from May 1992 four Vehicles Emission Monitoring (VEM) stations subsequently reduced to three, near the Regional Transport Offices (RTOs) in Chennai city for conducting emission tests only in respect of goods carriages in Chennai city for grant of renewal of fitness certificates by RTOs. Due to partial coverage of vehicles and non-coverage of other districts, pollution level caused by 25.50 lakh automobiles (other than goods carriages in Chennai city) remained unchecked. Study conducted by the Board for the years 1992-93 to 1995-96 revealed that in respect of goods carriages, percentage of the vehicles exceeding emission standards had declined to 11.96 from 13.70 in 1992-93.

(xii) Miscellaneous

As per section 2(a) of Air Act as amended, 'Noise' is also classified as one of the air pollutants. No action had been taken to control noise pollution by District Environmental Engineers of Thanjavur and Cuddalore.

(xiii) Under section 17 of the Water (Prevention and Control of Pollution) Act, Pollution Control Boards are to evolve economical and reliable methods for treatment of sewage and trade effluents, methods of their utilisation in agriculture and their disposal on land. However, no action had been taken by the Board in this direction.

HEALTH, INDIAN MEDICINE AND HOMOEOPATHY AND FAMILY WELFARE DEPARTMENT

6.8 Irregularities in the implementation of National AIDS Control Programme

National AIDS Control Programme was launched in September 1992 as a Centrally Sponsored Scheme with assistance from World Bank for prevention and control of Acquired Immuno Deficiency Syndrome (AIDS) in India to be implemented during VIII Five Year plan period i.e.,upto the end of March 1997. The project sought to initiate major effort in prevention of Human Immuno Deficiency Virus (HIV) transmission and to constitute a start up investment to launch expanded preventive activities. Ultimate object of the project was to slow down the spread of HIV in India.

The programme was implemented during April 1992 to March 1994 through AIDS Control Cell functioning under Director of Medical Education (DME) and from April 1994 onwards, through Tamil Nadu State AIDS Control Society (Society), registered under Tamil Nadu Societies Act (Registered on 11 May, 1994). Against Central assistance of Rs.14.03 crores released during 1992-96, an expenditure of Rs.11.34 crores was incurred. On test-check of records of Health and Family Welfare Secretariat, Directorate of Medical Education and the Society, the following observations are made.

Central assistance received by the State included commodity grant of Rs.1.76 crores representing materials supplied by National AIDS Control Organisation (NACO) during 1991-93. The commodity grant was not initially adjusted to the credit of the State by the Accountant General (Accounts and Entitlements) in the respective years as details for receipt of materials by recipient institutions were not made available by AIDS project cell. However, as per instructions of Government, the grant was adjusted in the accounts for 1993-94 pending details. Though Government was informed of the adjustment of Rs.1.76 crores in September 1994, details for actual receipt were yet to be obtained for confirmation of receipt of materials. Four major hospitals had reported that no equipment/materials were supplied to them by NACO.

(i) Information, Education and Communication

(a) Failure to avail trade commission

With a view to augment efforts of mass communication through multi-project channels of communication, a contract was entered into with an advertising agency in November 1994 for a project cost of Rs.95 lakhs. The contract was valid for twelve months and the period of operation was later (December 1995) extended upto 31 March, 1996. According to the agreement, the agency would retain 15 *per cent* trade commission granted by media owners and suppliers on gross cost of all orders placed with them by the agency on behalf of the Society. Further, though the Society was the owner of copyright of art works, radio tapes, music, scripts, literature and press advertisement, TV spots and film, the agency would have a lien over them until itemwise charges were paid by the Society. Thus, as the Society would acquire clear title over all the propoganda material after the end of contract period by settling claims therefor, the Society could have resorted to placing orders directly with media persons after the contract period, thereby availing 15 *per cent* trade commission granted by media persons. Activities relating to the area of preparing and placing of advertisements through Doordarshan (DD) and All India Radio (AIR) could have been delinked while extending the period of operation of the agreement. It was observed that the Society had paid Rs.96.82 lakhs to the agency for telecasting and broadcasting during the extended period (December 1995 to March 1996). Failure to exercise financial prudence while extending the contract had resulted in non-accrual of financial benefit and trade commission to the extent of Rs.14.52 lakhs.

(b) Excess payment made to the advertising agency on telecast of TV spots on Doordarshan - Rs.20.72 lakhs

Payments for telecasting TV spots were made by the Society as per the bill presented by the agency based on approved estimate under clause 12 of the agreement.

As per Rate Card for commercial spot of DD commercial service of Government of India (GOI), a discount of 10 seconds was allowed for spot booking for "60 seconds and more" in respect of all commercial advertisements. Accordingly, rate of telecasting 60 seconds would be the rate as applicable to 50 seconds. However, while approving estimate, the discount was not taken into account for telecast of the 60 second programme "Rathi 95" in DD.

The incorrect fixation of rate for this item resulted in avoidable excess payment of Rs.18.95 lakhs on telecast of the programme during August 1995 to March 1996.

It was also observed that the agency was paid Rs.1.76 lakhs for telecast of TV spot in rural programme "Vayalum Vazhvum" even on dates on which these were not telecast as verified from certificate of advertisement issued by DD. This would indicate that claims of the agency had been settled without ascertaining their genuineness.

(c) Production of films and video cassettes

According to guidelines issued by Government of Tamil Nadu in March 1991, Government department/ Corporation/ Board/ Public undertaking etc., which desires to produce a documentary has to obtain financial sanction based on estimate furnished by Tamil Nadu Films Division and entrust the work to the private producer, identified by Films Division.

However, the Society had neither adopted estimates furnished in the guidelines nor called for estimates from Tamil Nadu Films Division. The Society obtained quotations from 3 to 6 private producers and accepted the lowest amongst them. The lowest accepted rate for films of duration upto 10 minutes varied from Rs.75,000 to Rs.90,000. However, the estimated rate of Films Division communicated by Government was between Rs.25,000 to Rs.85,000.

For conversion of the film *Munnecharikai* to `U' matic cassettes and then to VHS cassettes, the Society called for quotations in July 1994 and accepted the lowest quotation of Rs.395 per VHS cassette of 60 minutes duration offered by firm 'A' for production of 2,250 VHS cassettes. However, information ascertained from Government Films Division disclosed that cost of each imported recorded cassette worked out to Rs.95 only i.e., Rs.75 per plain cassette and recording charges of Rs.20. The same offer of Rs.395 was acted upon for producing 7,036 VHS cassettes of eight other films without resorting to fresh tenders/quotations. Failure to ensure reasonable rate for production of VHS cassettes resulted in avoidable additional expenditure of Rs.26.67 lakhs in respect of 9,286 cassettes.

Firm `A' had offered a reduction of 20 *per cent* and 35 *per cent* in the rate for copies in excess of 500 and 1,000 numbers respectively. However, the Society paid for cassettes at a full rate of Rs.395 though number of cassettes produced ranged from 1,000 to 2,250 in respect of 6 films. Failure to avail the concession resulted in excess payment of Rs.3.25 lakhs.

The rate of Rs.395 accepted was for production of VHS cassettes of 60 minutes duration. Though VHS cassettes produced by the Society varied between 31 to 45 minutes duration only, payment was made at full rate without restricting it proportionately. While placing orders, need for proportionate cut in the rate for reduced durations was not contemplated.

(d) Excessive printing of copies of films

Though the Society got printed 50 copies of 35 mm. films titled *Munnecharikai* at the total cost of Rs.7.65 lakhs on 16 May, 1995 (each copy costing Rs.15,300), only 12 copies were released for screening and the balance 38 copies costing Rs.5.81 lakhs were kept idle for more than a year.

(ii) Purchase of PVC corrugated boards and corrugated sheets

According to guidelines issued by GOI for the programme, furniture and equipment estimated to cost US dollars 50,000 per contract would require to be procured after obtaining quotations atleast from 3 suppliers. However, it was observed that PVC corrugated boards/sheets, furniture and Information, Education and Communication (IEC) materials were procured by the Society for a total value of Rs.45.64 lakhs without calling for quotations.

(iii) Files and records for an expenditure of Rs.43.14 lakhs under IEC, advertisement and publicity were not produced and hence, correctness of payment could not be checked in audit.

(iv) Payments to Non-Governmental Organisations

National AIDS Control Programme envisaged involvement of Non-Governmental organisations (NGOs) in a substantial manner for information dissemination and provision of support service among high risk group, commercial sex workers (CSW), IV drug users, etc. Thirty five NGOs were selected during the years 1994-95 (17) and 1995-96 (18) and a sum of Rs.1.18 crores had been released by the Society during 1994-95 (Rs.81.63 lakhs) and 1995-96 (Rs.36.82 lakhs) to these agencies.

Claims of NGOs were settled based on the account rendered by them which merely indicated the programme/strategy. However, information as to the extent of implementation was not available in those accounts. Final reports submitted by NGOs also did not cover all activities envisaged in the approved estimates. No independent mechanism was evolved to monitor actual implementation of the reported activities of NGOs. In the absence of any supportive information, correctness of payments made to NGOs could not be ensured in audit.

The matter was referred to Government in November 1996; reply had not been received (December 1996).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

TAMIL NADU HOUSING BOARD

6.9 Avoidable expenditure on purchase of wood

The Wood Working Unit (Unit) of the Tamil Nadu Housing Board (Board) was manufacturing wooden doors and windows for various housing schemes implemented by the Board. The unit procured their requirement of wood from Andaman Forest Department (AFD).

Considering the demand for door frames and shutters and the delay expected in receipt of long size wood from AFD, proposals for the purchase of 160 cubic metres (cu.m.) of Padauk wood from open market was approved by the Board in November 1990. Tenders were invited in November 1990 for supply of 160 cu.m. of Padauk wood scantlings of two specific sizes by the Superintending Engineer (SE), Kalaignar Karunanidhi Nagar Circle of the Board. The lowest negotiated offer of Rs.15,535 per cu.m. (December 1990) was rejected by the Board (February 1991) as the increase in customs duty from 15 *per cent* to 40 *per cent* demanded by the tenderer (January 1991) was not confirmed by the Customs Department. Retendering was made in February 1991 and the lowest rate of Rs.17,855.75 per cu.m. inclusive of duties and taxes received from the same firm was also rejected (July 1991) as the Unit, in the absence of test facilities with it, could not test the samples of wood through outside agencies within the validity period of tender (2 months) and the tenderer also demanded 20 *per cent* increase for revalidation of his tender. Finally, the lowest tender of Rs.25,600 per cu.m. received during the third tender call (August 1991) was approved by the Board (October 1991). A quantity of 60.76 cu.m. of wood was received during the period from October 1991 to January 1992. The supplier did not effect further supply complaining about large scale rejection and the balance quantity was not purchased by the Board due to receipt of wood from the AFD.

The Board did not have any testing facility and was ensuring the quality only by visual inspection. Even if the sample was tested for quality, the Board had to ensure quality at the time of supply. As the sample was considered good and the tender conditions provided for rejection at the time of supply, the Board could have finalised the tender of the second call within the validity period. It was also seen that the lowest tender of third call was accepted without testing samples and the unit exercised quality control by way of inspection only at the time of supply.

Thus, the failure of the Board to accept the lowest tender of second call within the validity period had resulted in an extra expenditure of Rs.4.71 lakhs in the purchase of 60.76 cu.m. of wood.

When the matter was referred to Government in April 1996, Government stated (August 1996) that the actual expenditure incurred on the purchase would be treated as cost of timber and included in the scheme cost and that there would be no financial loss to the Board. The reply was not acceptable as the Board could have avoided this extra expenditure and now it was the purchaser who would have to pay for the Board's failure.

6.10 Irregular reimbursement of premium on insurance

Government of Tamil Nadu amended clause 47.1 of the General conditions of contract of the Tamil Nadu Buildings Practice (TNBP) in August 1981 to the effect that the work executed by the contractors should be maintained at their risk and cost until taken over by the Department and they should arrange at their own cost, insurance cover of the works against fire, flood, volcanic eruption, earthquake, other convulsions of nature and all other natural calamities and risks arising out of acts of God.

Government, in February 1988, issued orders permitting the Tamil Nadu Housing Board (Board) to entrust construction works of the Board in Chennai city within a radius of 30 kms. to M/s. Engineering Projects (India) Limited (EPI), a Government of India Undertaking and to fix rates by negotiation after settling the terms and conditions.

The Board entered into a Memorandum of Understanding (MOU) with EPI in November 1988 and entrusted the work of 'Construction of commercial complex at Nandanam' in April 1989. The rates for the contract were negotiated in two stages viz., foundation and superstructure. EPI after entering into an agreement (April 1989) for the foundation work took a risk insurance policy for the entire project in September 1989. While the foundation work was in progress, EPI submitted (September 1989) the rates for superstructure wherein it had indicated that the liability for insurance should be taken over by the Board. In the meeting held in June 1990 with EPI, it was decided that the issue of taking over the liability of risk insurance by the Board would be examined separately. The agreement for superstructure was concluded in the same month without deciding the issue. At the end of June 1990, the contractor claimed reimbursement of Rs.0.79 lakh towards three instalments of premium paid but the claim was disallowed for the reason that the agreement for foundation work did not contain provision for such reimbursement.

In June 1991, orders were issued by the Chief Engineer (CE) of the Board for reimbursement of the premium on the risk insurance policy in respect of the superstructure work. Accordingly, Rs.2.81 lakhs was reimbursed by the Board between July 1991 and February 1994.

On the irregular reimbursement of premium being pointed out by Audit in July 1993, the Board stopped reimbursing the premium to EPI after February 1994. However, the amount of Rs.2.81 lakhs already paid was not adjusted (February 1996).

Government, in March 1996, contended that the TNBP provided for meeting the expenditure on Risk Insurance by the contractor only when it was mutually accepted and as the contractor insisted, the Board had no other alternative. The reply was not tenable as the amended provision of TNBP as well as the MOU entered into between the Board and EPI did not provide for meeting the expenditure on insurance.

The matter was again referred to Government in March 1996; reply had not been received (December 1996).

TAMIL NADU SLUM CLEARANCE BOARD

6.11 Excess payment of interest to HUDCO

The Tamil Nadu Slum Clearance Board (Board) implemented various schemes by obtaining loans from the Housing and Urban Development Corporation (HUDCO) at the rates of interest prescribed by HUDCO from time to time. In addition, the Board also paid interest tax at 3 *per cent* from October 1991. According to the provisions of the agreement entered into with HUDCO, the rates of interest on the loan amount or a part thereof could be varied by HUDCO at the time of release of such amount by giving prior written notice. Interest was payable by the Board quarterly.

HUDCO, in May 1991, announced a revised financing pattern for various schemes implemented by the Government agencies contemplating, among other things, revision of rates of interest with effect from 1 April,1991. Revised rates were applicable for loan instalments released after 1 April, 1991. The Board, however, made payments at the revised rates of interest during the period from April 1991 to March 1993 in respect of 70 instalments of loans received from HUDCO prior to April 1991. During the reconciliation of loan accounts by the Board with HUDCO in March 1993, HUDCO agreed to charge old rates of interest in respect of loans obtained by the Board prior to April 1991. Accordingly, in August 1993, the Board intimated HUDCO that Rs.85.13 lakhs was paid in excess. Excess payment amounting to Rs.85 lakhs was adjusted in September 1993 against the dues to be paid by the Board to HUDCO.

Interest amounting to Rs.10.37 lakhs on the excess payment of Rs.85.13 lakhs retained by HUDCO for periods ranging from 6 to 27 months was not demanded and adjusted by the Board. Besides, interest tax of Rs.1.87 lakhs paid by the Board from October 1991 to March 1993 on the excess interest of Rs.62.28 lakhs paid to HUDCO was also not adjusted.

The Board contended (April 1996) that there was no excess payment and interest was paid as per the conditions of agreement entered into with HUDCO and on clarification from HUDCO, the amount was subsequently adjusted. The Board's contention was not tenable as the agreement did not provide for retrospective revision of rates of interest by HUDCO and the Tamil Nadu Housing Board, another agency obtaining loan assistance from HUDCO, had paid the higher rates of interest only for the instalments of loans released after March 1991.

Excess payment made by the Board could have gainfully been invested or atleast adjusted against loan instalments due to HUDCO by rescheduling of repayment thereby reducing the interest liability of the Board by Rs.12.24 lakhs for the period from April 1991 and March 1993. Besides, the Board had not recovered the excess amount paid for interest tax (Rs.1.87 lakhs) and interest (Rs.0.13 lakh).

The matter was referred to Government in May 1996; reply had not been received (December 1996).

6.12 Avoidable expenditure due to drawal of loan amount far in advance

With a view to house the people living in thatched houses in North Giriappa Road, Chennai, the Tamil Nadu Slum Clearance Board (Board) proposed (August 1992) construction of 384 tenements at the cost of Rs.1.75 crores with loan assistance of Rs.1.49 crores from Housing and Urban Development Corporation (HUDCO) and balance from Government grants.

HUDCO sanctioned a loan of Rs.1.49 crores in August 1993 subject to the following conditions:-

(i) Front end fees (FEF) at the rate of 0.75 *per cent* of the total loan amount sanctioned would be recovered from the first instalment and no refund would be made if there was any change in the loan amount sanctioned/availed by the Board.

(ii) The loan amount drawn should be utilised for the purpose for which sanctioned within six months from the date of drawal, failing which the Board was liable to pay penal interest for non-utilisation.

Government approval for the scheme was obtained in March 1994. Without arranging for temporary settlement of the inmates of the existing tenements during construction period, the Board requested (March 1994) HUDCO to release Rs.37.06 lakhs towards first instalment of the loan. HUDCO released Rs.35.57 lakhs in March 1994 after deducting Rs.1.12 lakhs and Rs.0.37 lakh towards FEF and Research and Development account respectively.

However, as it was found difficult to identify the rehabilitation site nearby the scheme area, the Board resolved in June 1994 to construct the tenements in a phased manner. Financial sanction for the revised proposal was accorded by the Board in December 1994. In the meantime, in order to avoid payment of penal interest, the Board refunded to HUDCO (September 1994) Rs.39.30 lakhs including interest of Rs.2.17 lakhs and interest tax of Rs.0.07 lakh.

Thus, the premature drawal of loan from HUDCO by the Board had resulted in avoidable expenditure of Rs.3.73 lakhs. The Board contended (March 1996) that the loss was notional as the Board utilised the money for implementing other ongoing schemes in view of severe financial constraints and earned supervision charges. This contention was not tenable as HUDCO stipulated that the loan should not be diverted to another scheme. Further, the total cash balance of the Board during March 1994 to September 1994 ranged between Rs.5.99 crores and Rs.9.06 crores and there was no necessity for the Board to utilise the above loan of Rs.35.57 lakhs on other schemes.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

6.13 Unfruitful outlay on a service reservoir constructed at Tuticorin town

Government sanctioned (March 1983) Rs.1.45 crores for the 'Tuticorin Water Supply Immediate Improvement Scheme' owing to limited capacity of the existing service reservoirs and distribution system. The scheme was proposed and implemented by Tamil Nadu Water Supply and Drainage Board (Board) for eventual handing over to Tuticorin Municipality (Municipality) for maintenance. The Board completed two of the three stages of the scheme at the cost of Rs.1.12 crores and handed these over to the Municipality in July 1989. The third stage envisaged the construction of new 20 lakh litres capacity high level service reservoir (new reservoir) to serve Zone IV in lieu of the existing ground level reservoir of 16 lakh litres capacity. The new reservoir was to be fed using the existing pumping main, 75 HP pumpset and conveying main and a newly constructed connecting line between the existing conveying line and the new reservoir. This arrangement was expected to fill up the reservoir in 8 hours so as to have sufficient pressure and time for distribution.

The work relating to third stage was completed by the Board in April 1992 at the cost of Rs.42.73 lakhs and was ready for handing over to the Municipality in February 1993. However, the Municipality did not take over the reservoir on the ground that the pumpset took 14 hours to fill up the reservoir as against the designed period of 8 hours and consequently the reservoir partially filled in 8 hours did not cater to even one third of the area. The Board attributed the excess time taken for filling the new reservoir to lower efficiency of existing pumpset which had served its life and conveying main being old and suggested (May 1994) for laying an additional conveying main with pumpset to pump water to the new reservoir at the cost of Rs.24.74 lakhs. However, due to dearth of funds, it was decided during the meeting held by the District Collector in May 1995 to pump water into the abandoned reservoir and from there to the new reservoir by using a pumpset and a new connecting line. The work was completed in March 1996 at the cost of Rs.1.69 lakhs and the reservoir was handed over to the Municipality in July 1996.

Thus, the failure of the Board to plan and provide proper design for conveying water to the new reservoir at the time of taking up the work had resulted in unproductive outlay of Rs.42.73 lakhs and non-achievement of the objective of proper distribution of water to the public for over 3 years.

The matter was referred to Government in July 1996; reply had not been received (December 1996).

6.14 Unproductive expenditure on the establishment of water meter workshops

The establishment of three water meter workshops for repairing and testing water meters of local bodies at a reasonable rate was proposed at Coimbatore, Madurai and Salem at the estimated cost of Rs.37.12 lakhs (building : Rs.16.87 lakhs and furniture and equipment : Rs.20.25 lakhs) under Tamil Nadu Water Supply and Sanitation Project, a World Bank aided project sanctioned by Government in March 1983 for Rs.149.42 crores. As of March 1995, the Board incurred an expenditure of Rs.24.58 lakhs on the establishment of workshops (Coimbatore: Rs.8.09 lakhs; Madurai: Rs.7.89 lakhs; Salem: Rs.8.60 lakhs) but the workshops were not commissioned for want of staff and delay in commissioning of the equipment (June 1996).

Test-check of records revealed the following:

Civil works for construction of building for workshops were completed between May 1988 and May 1989 at the total cost of Rs.16.27 lakhs (Coimbatore: Rs.5.42 lakhs; Madurai: Rs.5.18 lakhs; Salem: Rs.5.67 lakhs). The order for supply, delivery, erection and testing of water meter testing equipments with connected accessories to the three workshops was placed with a firm in August 1990 for Rs.9.23 lakhs and the firm had completed supplies between November 1992 and March 1993 and Rs.8.31 lakhs was paid on this account (Coimbatore: Rs.2.67 lakhs; Madurai:

Rs.2.71 lakhs;Salem: Rs.2.93 lakhs). The proposal of Rs.18 lakhs for sanction of staff sent to Government by the Board in December 1994 was not approved by Government.

The Board stated (March 1995) that the establishment of water meter workshop was a new item of work by the Board and the delay in preparation of estimates for equipment and staff was due to consultation made with other agencies doing similar works within and outside the State. The contention of the Board was not tenable as the Board had not taken co-ordinated action to execute all the components to complete the scheme and the following failures were noticed :

(i) The Board arranged to collect details from other agencies only in February 1992, August 1993 and February 1994.

(ii) Order for supply of equipment was placed only in August 1990 while the building works were completed by May 1989. Against the supply period of 4 months, the equipment were supplied in 32 months.

(iii) Staff proposals were initiated as early as in March 1992 but approved by the Board only in April 1994. The proposals were not approved even after 18 months by the Government.

Thus, the slow implementation of the establishment of water meter workshops at Coimbatore, Madurai and Salem had resulted in the unproductive expenditure of Rs.24.58 lakhs.

The matter was referred to Government in July 1996; Government concurred with the views of the Board (November 1996).

REVENUE DEPARTMENT

6.15 Loss of revenue due to delay in conducting auction

Based on the proposal of Sub-Collector, Paramakudi, District Revenue Officer (DRO), Ramanathapuram accorded sanction (August 1989) for auction sale of 5,950 tonnes of babul trees valued at Rs.10.71 lakhs that stood on the poromboke* land on the banks of the tank in Ponthampuli Village in Kamudhi taluk. The auction sale, fixed on 9 May, 1990 and postponed to 29 June, 1990 could not be conducted as notifications published in District Gazette were received by Sub-Collector only on

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* Land which does not yield revenue to Government viz., Land Revenue/Tax is usually known as Poromboke.

10 May, 1990 and 16 July, 1990 respectively (i.e.), subsequent to the date fixed for auction sale. In November 1991, 5 tonnes of trees were auctioned and a revenue of Rs.950 was realised. Reasons for not conducting auction for the remaining 5,945 tonnes of trees were not on record.

In the meantime, there were complaints from public about illicit felling of trees. When the complaints were referred to Tahsildar, Kamudhi, he reported (February 1992) to Revenue Divisional Officer (RDO) that only successful bidder in the auction held in November 1991 had removed the trees and that there was no illicit felling of trees.

RDO, Paramakudi who visited the area in October 1993 reported that only 85 tonnes of trees including 10 tonnes of trees, which were seized at the time of unauthorised removal were only available at the site and the remaining quantity of trees were removed illicitly. On a proposal from the RDO in October 1993, the above trees (85 tonnes) were auctioned (March 1994) and a revenue of Rs.0.61 lakh was realised. The department initiated disciplinary action against officials concerned in this regard and the matter was pending finalisation (November 1995).

Thus, failure of the department to take effective action to auction the trees early on receipt of sanction and to prevent illicit felling of trees resulted in loss of revenue of Rs.10.09 lakhs to Kamudhi Panchayat Union and Government in respect of 5,860 tonnes of trees removed illicitly.

The matter was referred to Government in April 1996; reply had not been received (December 1996).

CHAPTER VII

7.1 Commercial activities

As on 31 March, 1996, there were 4 departmentally managed commercial and quasi-commercial undertakings in the State as shown below. The results of the working of these undertakings are compiled annually by preparing *Pro forma* Accounts irrespective of General Accounts of Government. The preparation of *Pro forma* Accounts of three undertakings was in arrears from 1 to 4 years and in the case of Scheme for purchase and distribution of Chemical Fertilisers, it was in arrears from 1980-81 to 1995-96.

Serial number	Name of the department/ Undertaking	Period for which accounts were in arrears	Remarks
	I. AGRICULTURE DEPARTMENT		
1.	Government Agricultural Engineering Workshop, Madras	1995-96	*Pro forma* Accounts for the year 1995-96 awaited.
2.	Scheme for purchase and distribution of Chemical Fertilisers, Madras	1980-81 to 1995-96	Revised *Pro forma* Accounts for the year 1980-81 have been called for and the same were awaited. Scheme discontinued in 1978. However, Government Orders regarding discontinuance of preparation of *Pro forma* Accounts from 1981-82 to 1995-96 are shown as arrears.
	II. ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT		
3.	Chank Fisheries, Tuticorin	1993-94 to 1995-96	*Pro forma* Accounts for the years 1993-94 to 1995-96 awaited.
4.	Chank Fisheries, Ramanathapuram	1992-93 to 1995-96	*Pro forma* Accounts for the years from 1992-93 to 1995-96 awaited.

The matter regarding delay in finalisation of the accounts was last referred to Government/concerned department in June 1996, and their reply was awaited (August 1996).

Financial results of these 4 undertakings for the year upto which accounts have been compiled and audited showed that losses aggregating Rs.1.29 crores had been incurred by these undertakings after charging interest on capital, as per details in Appendix XIV.

7.2 Government Agricultural Engineering Workshop

7.2.1 Introduction

Government Agricultural Engineering Workshop (workshop) set up by State Industries Department in 1920 was taken over by Agriculture Department in 1958 to run on commercial lines. The workshop which mainly caters to the needs of the Agriculture Department was engaged in the manufacture and reconditioning of hand-operated well-boring equipment, drilling/fishing tools, power drills, etc.

Performance of the workshop during last three years upto 1995-96 was reviewed (August 1996) in audit and findings thereof are discussed in succeeding paragraphs.

7.2.2 Physical performance

Table below indicates performance data of the workshop in regard to receipt/execution of works and utilisation of men and machinery during the three years upto 1995-96.

Particulars	1993-94		1994-95		1995-96	
	Number	Value (Rupees in lakhs)	Number	Value (Rupees in lakhs)	Number	Value (Rupees in lakhs)
I Execution of works						
Works pending execution at the beginning of the year	72	23.34	85	27.65	69	17.45
Receipt of job orders during the year	60	21.00	34	14.02	46	21.03
Total	132	44.34	119	41.67	115	38.48
Works completed	47	16.69	50	24.22	63	18.76
Works pending at the end of the year	85	27.65	69	17.45	52	19.72
II Labour Utilisation						
Available manhours	102315		100455		99324	
Actual hours utilised	68232		44228		34760	
Percentage of utilisation	66.7		44.0		34.0	
III Machine Utilisation						
Available machine hours	41017		40098		40527	
Actual hours utilised	21909		16312		14600	
Percentage of utilisation	53.4		40.7		36.0	

The following points were observed in audit in this connection :

(i) Out of 52 works pending execution as at the end of March 1996, 28 works were pending completion for over two years. Delay in completion of these works was attributed by the workshop to inadequate capacity of the existing one lathe to cope with the actual requirements. The workshop had not initiated any action for procurement of any additional lathe commensurate with its actual requirements.

(ii) The workshop had not evolved any standard man/machine hours for each job nor any system of job costing so as to exercise an effective control over materials, men and machinery.

(iii) Utilisation of labour and machine had steadily declined from 66.7 to 34 *per cent* and from 53.4 to 36 *per cent* respectively during three years upto 1995-96 due to lack of sufficient orders. The main reasons for dearth of orders as identified (July 1992) by the workshop was as under:

- It had to confine itself only to reconditioning works since usage of hand-boring sets, drills, etc., had reached a saturation stage.
- Increase in labour costs due to periodical revision of wages/dearness allowance.
- Levy of heavy centage charges.
- Availability of same kind of services at cheaper rates outside.

The entire machinery of the workshop (original cost : Rs.10.72 lakhs) had far outlived their life. Despite this, the workshop had no plan for any modernisation/diversification.

7.2.3 Financial performance

The workshop had finalised its *pro forma* accounts only upto 1994-95. Table below indicates financial results of the workshop during three years upto 1994-95.

(Rupees in lakhs)

	Particulars	**1992-93**	**1993-94**	**1994-95**
	(1)	**(2)**	**(3)**	**(4)**
I	Income Sales and Service charges	24.78	20.90	31.58
	Other income	0.54	0.30	1.09
	Total income	25.32	21.20	32.67
II	Expenditure Cost of sales/services	19.44	12.80	22.34
	Administrative expenses	19.78	19.48	21.42
	Miscellaneous expenses (electricity charges, rates, taxes, audit fees, etc.)	2.73	3.03	4.01
	Unabsorbed labour charges debited to workshop maintenance	19.29	22.13	22.08
	Interest on capital	8.44	9.30	9.65
	Depreciation	0.01	0.01	0.01
	Total expenditure	69.69	66.75	79.51
	Loss (II - I)	44.37	45.55	46.84

The following points merit mention in this connection :

(i) Audit analysis indicated that for 55 workers on production line, the workshop employed 33 supervisory staff, thereby indicating absence of effective manpower management. The workshop had not made any assessment of requirement of actual manpower so as to identify surplus staff for their fruitful deployment in other needy Government departments.

(ii) There was no timely raising of invoices against supplies made/services rendered. Delays ranging from 10 to 1,389 days were noticed in raising invoices (after completion of works) during 1992-93 to 1995-96 in 65 cases test-checked in audit.

(iii) In respect of dues of Rs.2.54 lakhs to be recovered relating to the period prior to 1981-82, no details were available with the workshop.

(iv) Remittances amounting to Rs.1.60 lakhs made into treasury branch of State Bank of India during January 1990 to August 1992 have not been accounted for by the bank so far (August 1996). The workshop had also not effectively followed up with the bank to reconcile the discrepancy.

(v) The workshop charged centage at 12 *per cent* on materials and 300 *per cent* on labour on all works undertaken by it. According to the workshop management (December 1983 and August 1991), due to quicker and cheaper availability of same kind of services outside, Agriculture Department with the constraint of limited availability of funds at its disposal hesitated to approach the workshop for their jobs but got them executed through private parties. Thus, the underlying objective of setting up of a workshop to serve as a captive workshop of Agriculture Department was not achieved.

Considering lack of sufficient orders on account of all the above, the workshop approached (December 1993) Government for its conversion into "service unit" so as to make its rates more competitive by dispensing with levy of centage charges. But, no decision had been taken by Government so far (August 1996).

The matter was referred to Government in October 1996; reply had not been received (December 1996).

Chennai
The 28 FEB 1997

(NARENDRA SINGH)
Accountant General (Audit)I
Tamil Nadu and Pondicherry

Countersigned

V. K. Shunglu.

New Delhi
The 7 MAR 1997

(V.K. SHUNGLU)
The Comptroller and Auditor General of India

APPENDIX I

(Reference : paragraph 2.2.2; page 36)

GRANTS/APPROPRIATIONS WHERE SUPPLEMENTARY PROVISIONS OBTAINED IN MARCH 1996 PROVED UNNECESSARY

(Rupees in lakhs)

Serial number		Number and title of grant/appro-priation	Supplementary grant/appro-priation (March 1996)	Final saving
(1)		(2)	(3)	(4)
Voted grants-				
1.	1.	Land Revenue	11.48	119.02
2.	3.	Motor Vehicles Acts - Administration	95.24	249.09
3.	4.	General Sales Tax and Other Taxes and Duties-Administration	1684.86	2090.86
4.	10.	Milk Supply Schemes	21.54	21.71
5.	17.	Education	7472.62	14216.45
6.	20.	Agriculture	4971.19	5935.49
7.	28.	Labour including Factories	199.01	221.11
8.	29.	Social Welfare	4157.58	4930.80
9.	32.	Housing	817.75	1551.30
10.	35.	Irrigation	0.06	862.72
11.	46.	Information and Film Technology	154.09	211.79
12.	48.	Water Supply	661.23	5917.48
13.	55.	Capital Outlay on Public Works -Buildings	466.69	2043.53
		Total	20713.34	38,371.35

Charged appropriations -

(1)		(2)	(3)	(4)
1.	12.	Administration of the Tamil Nadu Hindu Religious and Charitable Endowments Act. 1959.	*0.83*	*1.28*
2.	17.	Education	*0.21*	*0.31*
3.	23.	Co-operation	*0.15*	*0.16*
4.	30.	Welfare of the Scheduled Tribes and Castes, etc.	*456.20*	*475.05*
5.	34.	Civil Supplies	*0.13*	*0.14*
6.	41.	Pensions and Other Retirement Benefits	*31.41*	*59.65*
		Total	488.93	536.59

APPENDIX II

(Reference : paragraph 2.2.2; page 36)

GRANTS WHERE SUPPLEMENTARY PROVISIONS OBTAINED DURING 1995-96 PROVED INSUFFICIENT BY MORE THAN Rs.50 LAKHS EACH

(Rupees in lakhs)

Serial number	Number and title of grant		Total supplementary grant	Final excess
Voted grants-				
1.	30.	Welfare of the Scheduled Tribes and Castes, etc.	4721.90	1233.69
2.	31.	Welfare of the Backward Classes, Most Backward Classes and Denotified Communities	457.01	63.14
3.	38.	Roads and Bridges	928.74	3949.84
4.	41.	Pensions and Other Retirement Benefits	5254.42	4276.41
5.	45.	Compensation and Assignments	1181.98	589.18
6.	56.	Capital Outlay on Roads and Bridges	2386.61	682.23
		Total	14930.66	10794.49

APPENDIX III

(Reference: paragraph 2.2.3; page 36)

GRANTS/APPROPRIATIONS WHERE EXCESS REQUIRES REGULARISATION

Serial number	Number and title of grant/appropriation		Total grant/ appropriation	Expen-diture	Excess
(1)	(2)		(3)	(4)	(5)
			Rs.	Rs.	Rs.
Voted grants-					
1.	30.	Welfare of the Scheduled Tribes and Castes, etc.	2,40,46,45,000	2,52,80,13,843	12,33,68,843
2.	31.	Welfare of the Backward Classes, Most Backward Classes and Denotified Communities	51,83,75,000	52,46,89,325	63,14,325
3.	34.	Civil Supplies	8,16,68,91,000	8,16,82,80,417	13,89,417
4.	38.	Roads and Bridges	3,03,23,39,000	3,42,73,23,149	39,49,84,149
5.	40.	Relief on account of Natural Calamities	1,20,56,83,000	1,24,82,59,363	4,25,76,363
6.	41.	Pensions and Other Retirement Benefits	7,50,01,26,000	7,92,77,67,268	42,76,41,268
7.	45.	Compensation and Assignments	67,63,81,000	73,52,99,077	5,89,18,077
8.	56.	Capital Outlay on Roads and Bridges	1,54,01,29,000	1,60,83,51,632	6,82,22,632
		Total	25,04,45,69,000	26,16,79,84,074	1,12,34,15,074

(1)		(2)	(3)	(4)	(5)
Charged appropriations-					
1.	7.	State Legislature	*18,76,000*	*21,58,446*	*2,82,446*
2.	11.	District Administration	*20,02,000*	*24,28,140*	*4,26,140*
3.	15.	Police	*23,44,000*	*25,55,743*	*2,11,743*
4.	16.	Fire Services	*10,59,000*	*11,47,645*	*88,645*
5.	18.	Medical	*2,13,000*	*2,30,422*	*17,422*
6.	19.	Public Health	*87,000*	*97,904*	*10,904*
7.	35.	Irrigation	*2,000*	*3,28,905*	*3,26,905*
8.	36.	Public Works-Buildings	*19,01,000*	*19,73,196*	*72,196*
9.	37.	Public Works - Establishment and Tools and Plant	*1,000*	*1,916*	*916*
10.	42.	Miscellaneous	*13,73,000*	*15,74,427*	*2,01,427*
11.	43.	Stationery and Printing	*9,50,000*	*9,76,066*	*26,066*
		Total	1,18,08,000	1,34,72,810	16,64,810
		Grand Total			1,12,50,79,884

APPENDIX IV
(Reference : paragraph 2.2.4; page 36)

STATEMENT SHOWING CASES WHERE EXPENDITURE FELL SHORT BY MORE THAN Rs.1 CRORE EACH AND ALSO BY 10 *per cent* OR MORE OF THE TOTAL PROVISION

Serial number		Number and title of the grant/ appropriation	Amount of saving (Rupees in crores) (percentage of provision)	Main reasons for saving
1		2	3	4
Voted grants				
1.	1.	Land Revenue Department	1.19 (10)	Saving occurred under (a) "Buildings - Land Revenue"(Rs.38.82 lakhs); (b) "Implementation of Tamil Nadu Urban Land (Ceiling and Regulation) Act, 1976" (Rs.37.09 lakhs); (c) "District Charges" (Rs.16.25 lakhs); and (d) "Sub-Divisional Establishment" (Rs.25.45 lakhs). Saving under (b) and (c) was due to restricted expenditure and non-requirement of funds; under (d) was due to non-filling up of certain posts and specific reasons for the saving under (a) had not been communicated (October 1996).
2.	2.	State Excise Department	1.34 (12)	Saving occurred under (a) "Headquarters Establishment-Commissioner of Prohibition and Excise Department" (Rs.76.90 lakhs) and (b) "District Establishment - Revenue Establishment" (Rs.61.17 lakhs). Saving under (a) was mainly due to non-sanction of orders within the Financial Year. Specific reasons for saving under (b) had not been communicated (October 1996).
3.	3.	Motor Vehicles Acts-Administration	2.49 (18)	Saving mainly occurred under (a) "Regional Transport Authority - Mofussil" (Rs.101.82 lakhs); (b) "Creation of Computerised database of vehicles registration and driving licenses" (Rs.43.43 lakhs); (c) "Payment of cash relief to traffic accident victims" (Rs.33.23 lakhs); (d) "Inspection and flying squad" (Rs.24.39 lakhs) and (e) "Regional Transport Authority - Madras City" (Rs.21.15 lakhs). Saving under (b) was due to tenders not being finalised before the end of the financial year. Specific reasons for saving under (a),(c),(d) and (e) had not been communicated (October 1996).
4.	4.	General Sales Tax and Other Taxes and Duties - Administration.	20.91 (26)	Saving occurred under (a) "Circle Establishment" (Rs.100.71 lakhs) and (b) "District Establishment" (Rs.1930.53 lakhs) Saving under (a) and (b) was due to non-filling up of certain posts.

1		2	3	4
5.	8.	Elections	49.31 (58)	Saving mainly occurred under (a) "Election to Panchayats" (Rs.2184.18 lakhs), specific reasons for which had not been communicated (October 1996). Further, net saving (Rs.3179.54 lakhs) also occurred under (b) "Scheme of issue of Photo Identity Cards to Electors" and (c) "Scheme of issue of Photo Identity Cards to Voters", the specific reasons for which were also not communicated (October 1996). The saving was off-set by excess (by reappropriation) under "Elections to Lok Sabha and Legislative Assembly when held simultaneously" (Rs.449.30 lakhs) mainly due to payment of salaries to Additional temporary staff sanctioned, purchase of Election materials, etc., for the ensuing General elections to Lok Sabha and Tamil Nadu Legislative Assembly.
6.	32.	Housing	15.51 (25)	Saving mainly occurred under (a) "Upgradation of Houses of Rural Adi Dravidars" (Rs.1501.40 lakhs) and (b) "Scheme for acquisition of House sites for Rural Poor" (Rs.100 lakhs). Specific reasons for the saving under (a) and (b) had not been communicated. (October 1996). The saving was mainly off-set by the excess under "Tamil Nadu Rural Housing Scheme" (Rs.67.03 lakhs) due to increase in State Government's grant/subsidy at Rs.1600 per unit for 18,200 units under Rural Housing Scheme.
7.	36.	Public Works - Buildings	2.02 (15)	Saving mainly occurred under "Establishment Charges transferred from Major Head '2059. Public Works' on *pro-rata* basis" (Rs.199.43 lakhs) specific reasons for which had not been communicated (October 1996). Other items of saving and the counterbalancing items of excess are detailed in the appropriation accounts.
8.	42.	Miscellaneous	18.22 (11)	Saving occurred under (a) "Lumpsum Provision for Unforeseen Expenditure" (Rs.1000 lakhs); (b) "Investor's Incentive Scheme" (Rs.518.95 lakhs) and (c) "Agent's Incentive Scheme" (Rs.475.70 lakhs). Saving under (a) was due to surrender of lumpsum provision and specific reasons for saving under (b) and (c) had not been communicated (October 1996). The saving was off-set by excess under "Tamil Nadu Government Servants' Family Security Fund Scheme-Ex-gratia payment to the family of the Deceased Government Employees" (Rs.173.24 lakhs) specific reasons for which had not been communicated (October 1996). Other items of saving and the counterbalancing items of excess are detailed in the appropriation accounts.

1		2	3	4
9.	46.	Information and Film Technology	2.12 (16)	Saving occurred under (a) "Tamil Nadu Film Production and Film and Television Institute" (Rs. 137.61 lakhs); (b) "Integrated Field Publicity Scheme" (Rs.134.15 lakhs) and (c) "Incentive Scheme for promoting low budget Tamil Film of High Quality with a social content" (Rs.105.20 lakhs). Saving under (a) was due to opening of two sub-heads of accounts, under (c) was due to non-utilisation of subsidy granted to low budget films of high quality; and specific reasons for the saving under (b) had not been communicated (October 1996). The saving was off-set by excess under (d) "Films and Television Institute of Tamil Nadu" (Rs.104.57 lakhs) and (e) "Tamil Nadu Films Division" (Rs.55.39 lakhs). Excess under (d) and (e) was due to opening of two sub-heads of accounts. Other items of saving and the counterbalancing items of excess are detailed in the appropriation accounts.
10.	48.	Water Supply	59.17 (21)	Saving occurred mainly under (a) "Accelerated Rural Water Supply Programme (Rs.2990 lakhs); (b) "Grants to Madras Metropolitan Water Supply and Sewerage Board for New Veeranam Project (Rs.1840 lakhs); and (c) "Comprehensive Piped Water Supply Scheme in excess Fluoride affected areas" (Rs.1192.78 lakhs). Saving under (a) was due to release of the Central Government's share directly to Tamil Nadu Water Supply and Drainage Board; under (b) was due to lesser utilisation of grants by the Madras Metropolitan Water Supply and Sewerage Board for New Veeranam Project; and specific reasons for the saving under (c) had not been communicated (October 1996). Other items of saving and the counterbalancing items of excess are detailed in the appropriation accounts.
11.	49.	Municipal Administration	29.44 (52)	Saving occurred mainly under (a) "Compensation grant in lieu of surcharge on Sales Tax to all other Corporations (except Madras Corporation)" (Rs.1000 lakhs); (b) "Compensation grant in lieu of surcharge on Sales Tax to Town Panchayats (Rs.1000 lakhs); (c) "Compensation grant in lieu of surcharge on Sales Tax to Madras Corporation (Rs.500 lakhs); (d) "Accommodation and refreshment charges in connection with the Seventh South Asian Federation Games (Rs.458.34 lakhs). Saving under (b) was due to issue of Government sanction for Rs. 5 crores only against the provision of Rs. 10 crores and due to initiating action for distribution of grants only in April 1996 by the Commissioner of Town Panchayats. Specific reasons for the saving under (a), (c) and (d) had not been communicated (October 1996). Other items of saving and the counterbalancing items of excess are detailed in the appropriation accounts.

1	2	3	4
12. 52.	Capital Outlay on Agriculture	3.11 (27)	Saving occurred mainly under (a)"Formation of roads to Sugar Factory areas" (Rs.172.21 lakhs) due to non-entrustment of works and under (b)"construction of office building for Assistant Director of Agriculture under Tamil Nadu Agricultural Development Project" (Rs.146.29 lakhs) specific reasons for which had not been communicated (October 1996). Other items of saving and the counterbalancing items of excess are detailed in the appropriation accounts.
13. 53.	Capital Outlay on Industrial Development	16.60 (32)	Saving occurred mainly under (a)"Share Capital Assistance to TIDCO for Investment in Jayankondam Lignite Power Corporation (Rs.500 lakhs) due to non-approval of the proposals submitted by TIDCO in July 1995, by the Government till the end of the financial year and under (b) "Assistance towards the share capital for Co-operative Sugar Mills" (Rs.1104.50 lakhs) specific reasons for which had not been communicated (October 1996).
14. 54.	Capital Outlay on Irrigation	51.66 (37)	Saving occurred under (a) 'Lumpsum provision for Modernisation and Rehabilitation works - Schemes for stage II (Rs.3991.22 lakhs); there was also a net saving (Rs.1985.18 lakhs) between (b) 'Improvement to Veeranam lake for water supply' (Capital outlay major head for Major and Medium irrigation), and (c) 'Improvement to Veeranam lake for water supply' (Capital outlay major head for water supply and sanitation). Saving under (a) was due to redistribution of the provision under various schemes in the different water resources consolidated project schemes. Saving under (b) and (c) was partly (Rs.114.41 lakhs) due to reclassification of expenditure under (c) and specific reasons for the balance saving had not been communicated (October 1996). The saving was off-set by the excess under "*Add* - Establishment charges transferred from Major Head '2059. Public Works' on *pro-rata* basis" - (Rs.553.99 lakhs) due to adjustment of establishment charges for which no provision was made during the year. Other items of saving and the counterbalancing items of excess are detailed in the appropriation accounts.

1	2	3	4
15. 55.	Capital Outlay on Public Works - Buildings	20.43 (24)	Saving occurred mainly under (a) 'Land Revenue' (Rs.644.60 lakhs); (b) 'Buildings - controlled by Chief Engineer, Buildings' (Rs.585.08 lakhs), (c) 'Buildings (Rs.484.50 lakhs) (Capital outlay major head for Medical and Public Health, and (d) 'Buildings' (Rs.369.14 lakhs) (Capitaly outlay major head for Education, Sports, Art and Culture) Saving under (a) was due to non-settlement of agency for construction of new Collectorate Buildings at Madras and under (b) saving was mainly due to non-receipt of administrative sanction and revised sanction and inclusion of provision under this Head though the works were to be got executed by the District Collectors concerned and under (c) saving was due to non-receipt of steam laundry equipment towards the construction of steam laundry in Government Headquarters Hospital at Kancheepuram and specific reasons for saving under (d) had not been communicated (October 1996). Other items of savings and the counterbalancing items of excess are detailed in the appropriation accounts.
16. 58.	Capital Outlay on Forests	6.24 (14)	Saving occurred mainly under (a) 'Afforestation works under Tamil Nadu Agricultural Development Project Phase II' (Rs.308.85 lakhs); (b) 'Scheme for Community Wasteland Development Programme' (Rs.286.04 lakhs); and (c) 'Tiger Reserve Scheme' (Rs.54.45 lakhs). Saving under (a) and (b) was attributed to non-taking up of the work due to failure of North-East Monsoon and specific reasons for saving under (c) had not been communicated (October 1996). Other items of saving and the counterbalancing items of excess are detailed in the appropriation accounts.
17. 59.	Capital Outlay on Rural Industries	1.49 (23)	Saving occurred under (a) "Establishment of Research and Development Centre for pumps and motors in Coimbatore" (Rs.61 lakhs)"; (b) "State participation in the share capital structure of the existing Industrial Co-operative Tea factories in the Nilgiris District under Hill Area Development Programme (Other expenditure - Rs.40 lakhs and "Investment in Industrial Co-operatives" - Rs.13.39 lakhs); and (c) "World Bank Aided Sericulture Project" (Rs.32.29 lakhs). Specific reasons for the saving under (a) to (c) had not been communicated (October 1996).

1		2	3	4
Charged appropriations-				
1.	9.	Head of State, Ministers and Headquarters Staff	2.55 (28)	Saving occurred under "Tamil Nadu Public Service Commission" (Rs.257.32 lakhs) specific reasons for which had not been communicated (October 1996).
2.	13.	Administration of Justice	1.09 (11)	Saving occurred mainly under "Judges and Registrar" (Rs.113.41 lakhs) specific reasons for which had not been communicated (October 1996).
3.	30.	Welfare of the Scheduled Tribes and Castes, etc.	4.75 (94)	Saving occurred under "House-sites for Adi-Dravidars" (Rs.475.03 lakhs) specific reasons for which had not been communicated (October 1996).
4.		Public Debt- Repayment	1446.01 (82)	Saving mainly occurred under (a)"Ways and Means Advances from the Reserve Bank of India" (Rs.104321 lakhs); (b) "Overdraft from the Reserve Bank of India" (Rs.40000 lakhs); and (c)"Loans for Manures and Fertilizers" (Rs.1480 lakhs). Saving under items (a) and (b) was due to better management of resources and specific reasons for the saving under (c) had not been communicated (October 1996). Other items of saving and the counterbalancing items of excess are detailed in the appropriation accounts.

APPENDIX V
(Reference : paragraph 2.2.6; page 37)

STATEMENT SHOWING PERSISTENT SAVINGS DURING 1993-94 TO 1995-96

Serial number		Number and Name of grant	1993-94 Amount (Rupees in crores)	1993-94 Perc-entage	1994-95 Amount (Rupees in crores)	1994-95 Perc-entage	1995-96 Amount (Rupees in crores)	1995-96 Perc-entage
(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)
Voted grants-								
1.	1.	Land Revenue	1.14	12	0.55	5	1.19	10
2.	3.	Motor Vehicles Acts – Administration	0.53	6	3.38	25	2.49	18
			(Saving of 5 *per cent* occurred during 1992-93 also)					
3.	4.	General Sales Tax and Other Taxes and Duties - Administration	10.53	18	6.13	10	20.91	26
4.	12.	Administration of the Tamil Nadu Hindu Religious and Charitable Endowments Act, 1959	0.92	8	0.94	8	0.71	6
5.	29.	Social Welfare	50.72	12	23.50	5	49.31	9
			(Saving occurred in the preceding 3 years, the percentage of saving ranging from 5 to 9)					
6.	51.	Tamil Development - Culture	0.56	7	1.52	9	1.34	9
			(Saving of 15 and 13 *per cent* occurred during 1991-92 and 1992-93 respectively)					
7.	52.	Capital Outlay on Agriculture	3.79	36	1.91	14	3.11	27
			(Saving of 77 and 47 *per cent* occurred during 1991-92 and 1992-93 respectively)					

(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)
8.	54.	Capital Outlay on Irrigation	21.95	16	29.56	20	51.66	37
			(Saving occurred in the preceding 17 years, the percentage of saving ranging from 10 to 45)					
9.	55.	Capital Outlay on Public works - Buildings	13.12	22	9.73	13	20.44	24
			(Saving of 11 *per cent* occurred during 1992-93 also)					
Charged appropriations-								
10.	9.	Head of State, Ministers and Headquarters Staff	*2.65*	30	*3.41*	39	*2.55*	28
			(Saving occurred in the preceding 5 years, the percentage of saving ranging from 10 to 26)					
11.	13.	Adminis-tration of Justice	*0.41*	5	*0.70*	9	*1.09*	11
12.	20.	Agriculture	*0.05*	100	*0.05*	100	*0.02*	100
			(Saving of 100 *per cent* occurred during each of the preceding 5 years)					
13.	30.	Welfare of the Scheduled Tribes and Castes,etc.	*2.29*	89	*1.99*	49	*4.75*	94
			(Saving of 73 *per cent* occurred during 1992-93 also)					
14.	55.	Capital Outlay on Public Works - Buildings	*0.01*	16	*0.12*	35	*0.29*	49
			(Saving of 100 *per cent* occurred during each of the preceding 2 years)					
15.		Public Debt - Repayment	*904.83*	50	*1276.26*	72	*1446.01*	82
			(Saving occurred in the preceding 3 years, the percentage of saving ranging from 15 to 21)					

APPENDIX VI

(Reference : paragraph 2.2.7; page 38)

STATEMENT SHOWING CASES WHERE SUBSTANTIAL SURRENDERS WERE MADE DURING THE YEAR

Serial number	Number and name of grant	Name of the scheme (Head of account)	Amount of surrender (Rupees in lakhs)	Percentage of surrender
(1)	(2)	(3)	(4)	(5)
1.	15 Police	Modernisation of Police Force (State) (2055.115.I.AE)	1074.59	68

Withdrawal of provision by reappropriation in March 1996 (Rs.387.59 lakhs) was due to non-purchase of equipments consequent on non-receipt of Government Orders and non-finalisation of proposals for the purchase (Rs.687 lakhs).

2.	15. Police	Modernisation of Police with 50 *per cent* assistance from Government of India (2055.115.I.AA)	356.71	58

The surrender was due to non-receipt / belated receipt of sanction for purchase of equipment.

3.	17.Education	Non-formal Education and Prohibition propaganda (2202.04.200.II.JK)	919.35	65

The scheme was implemented from 1993-94 with a target of engaging 1.50 lakh volunteer instructors and enrolling 15 lakh drop-outs and non-starters. The Director of Non-formal and Adult Education (DNAE) submitted (June 1995) revised proposals to Government with additional outlay to revamp the scheme so as to obviate the slow progress. Due to lack of enthusiasm from the volunteers, the target could not be achieved, which resulted in the surrender of Rs.9.19 crores.

4.	53. Capital Outlay on Industrial Development	Share Capital Assistance to TIDCO for investment in Jayankondam Lignite Power Corporation (4801.02.190.II.JA)	500.00	100

Proposals of Tamil Nadu Industrial Development Corporation submitted to Government in July 1995 were not approved by the Government till the end of the financial year resulting in the surrender in March 1996.

(1)	(2)	(3)	(4)	(5)
5.	53.Capital Outlay on Industrial Development	Market Development Assistance -Share capital Assistance (4851.103.VI.I'C)	50.00	100

Proposals of Commissioner of Handlooms and Textiles towards participation of Share Capital structure of Primary Weavers' Co-operative Societies forwarded in October 1995 were found to be incomplete (March 1996) by Government and, for want of Government sanction for incurring expenditure, the entire provision was surrendered in March 1996.

(1)	(2)	(3)	(4)	(5)
6.	55.Capital Outlay on Public Works -Buildings	Buildings - Controlled by Chief Engineer, Buildings (4202.01.202.II.JA)	660.21	93

Budget provision (Rs.709.13 lakhs) related to works to be executed by Chief Engineer (Buildings) -PWD (Rs.508.13 lakhs) and Director of Technical Education (Rs.201 lakhs). Surrender was mainly due to the following reasons:

(i) Director of Technical Education had to surrender Rs.150 lakhs due to the delay of more than a year in approval of his proposal (January 1995) by Government for meeting the increased share of 75 *per cent* from 50 *per cent* of cost of construction of school buildings. Further, though the schools where the work of providing laboratory facilities were identified by Government in November 1995 itself, the department did not take up the work till 1996-97 as the Superintending Engineer, Technical Education Circle was awaiting the list of schools identified till February 1996. Provision of Rs. 51 lakhs for the work was hence surrendered.

(ii) Balance surrender of Rs.384.08 lakhs under the head was mainly due to inclusion of provision under this head though the works were to be got executed by District Collectors concerned as per Government Orders issued in January 1995 July 1995.

(1)	(2)	(3)	(4)	(5)
7.	60.Miscell-aneous Capital Outlay	Modernisation of Police Force (4070.800.I.AB)	1969.21	98

Despite the stay orders (December 1994) of High Court of Madras prohibiting demolition of the existing building and construction of a multi-storeyed complex for housing the Director General of Police in the Kamarajar Road, which was further affirmed by the Supreme Court in March 1995, provision for construction of the Complex was included in the estimate which resulted in the surrender of Rs.1969.21 lakhs in March 1996.

APPENDIX VII

(Reference: paragraph 2.3(a); page 42)

STATEMENT SHOWING GRANTWISE DETAILS OF EXPENDITURE INCURRED ON SCHEMES WHICH CONSTITUTED NEW SERVICE/ NEW INSTRUMENT OF SERVICE

(Rupees in lakhs)

Serial number	Grant/ Appro-pria-tion	Head of account Scheme/Service	Budget provi-sion	Reappro-priation	Expen-diture
(1)	(2)	(3)	(4)	(5)	(6)
1.	*Debt charges*	2049.60.101.DY Interest on Deposits of Tamil Nadu Urban Finance Infrastructure Development Corporation Limited (TUFIDCO)	..	*1,38.48*	*1,38.48*
2.	9	2052.092.I.AN Commission of enquiry to probe into allegations filed by Tmt.C. Padmavathi in the High Court, Madras	..	..	78.37
3.	11	2053.093.I.AC Provision for the purchase of Motor vehicles in the place of condemned vehicles - District Revenue Administration	0.01	23.94	53.36
4.	17	2204.104.VI.UD Grants to Sports Development Authority of Tamil Nadu	..	1,47.60	1,47.60
5.	18	2210.01.110.III.TE Strengthening of Blood Bank Systems	..	43.75	43.75
6.	18	2551.01.110.I.AA Improvements to Hospitals and Dispensaries under Hill Area Development Programme	..	13.90	14.66
7.	22	2403.102.III.SC National Bull Production Farms	..	..	94.50

(1)	(2)	(3)	(4)	(5)	(6)
8.	22	2403.101.II.KA Implementation of Foot and Mouth Disease free Zone in Tamil Nadu by National Dairy Development Board	0.01	27.30	27.31
9.	27	2551.60.135.III.SA Assistance to Rural Energy Conservation Schemes in Hill Area Development Programme	..	..	16.38
10.	27	3604.797.I.AA Amount transferred to Urban Development Fund	..	..	11.09
11.	30	2225.01.283.II.JC Amount placed at the disposal of Tamil Nadu Adi Dravidar Housing and Development Corporation for Adi Dravidar Housing Scheme	..	..	23.49
12.	33	2217.03.191.VI.UA Scheme for Integrated Development of Small and Medium Town	..	1,35.00	1,35.00
13.	33	2217.03.191.III.SA Scheme for Integrated Development of Small and Medium Town under Central Urban Infrastructure Support Scheme	..	16.57	16.57
14.	35	2701.04.800.I.AB Maintenance and repairs by Irrigation Department	..	..	1,02.84
15.	35	2702.01.101.I.AA Standardisation and Improvement to Irrigation sources having an Ayacut of more than 100 acres	..	..	17.37

(1)	(2)	(3)	(4)	(5)	(6)
16.	35	2702.80.800.II.JM Rapid programme for conversion of Ex-zamindari tanks into departmental and Panchayat Unions tanks	..	0.25	25.35
17.	35	2702.01.101.II.JD Standardisation and Improvement to Irrigation sources having an Ayacut of more than 100 acres	..	2.38	23.47
18.	35	2701.03.182.I.AA Perumpallam Reservoir System	..	2.00	20.59
19.	40	2245.01.102.II.JB Grants to Panchayat Union for Water supply scheme in drought affected areas	..	..	86.05
	40	2245.01.102.II.JC Grants to Municipalities for water supply in drought affected areas	..	..	12.24
21.	42	2235.60.200.I.AU Supply of rice to old age pensioners in the drought affected areas	..	..	62.43
22.	42	2235.60.200.I.BB Supply of Dhoties/ Sarees to landless Agricultural Labourers in drought affected areas	..	..	11.18
23.	44	2551.60.106.II.JO Forestry including communication under Hill Area Development Programme	..	..	16.27
24.	46	2220.01.105.I.AJ Film and Television Institute of Tamil Nadu	..	55.96	1,04.57

(1)	(2)	(3)	(4)	(5)	(6)
25.	46	2220.01.105.I.AI Tamil Nadu Films Division	..	60.92	55.39
26.	46	2220.60.101.II.JB Fabrication of floats and arrangements of Cultural pageants on the inaugural day of the Eighth World Tamil Conference	..	7.99	10.89
27.	54	4701.03.243.II.PA Direction and Administration	0.01	5,20.50	5,08.84
28.	54	4701.01.201.II.JA Direction and Administration	0.01	30.86	30.63
29.	54	4701.01.207.II.PD Direction and Administration	..	3,03.58	2,89.17
30.	54	4701.03.241.II.PA Direction and Administration	..	59.53	58.40
31.	54	4215.01.101.II.PB Direction and Administration	..	34.09	28.80
32.	54	4701.03.246.II.PB Direction and Administration	..	14.53	14.12
33.	54	4701.03.256.II.PG Direction and Administration	..	11.99	11.87
34.	54	4701.03.219.II.JA Dam and Appurtenant Works	..	50.00	42.59
35.	54	4701.03.257.II.JJ Water Courses	..	9.00	25.51
36.	54	4701.03.257.II.JI Distributaries	..	10.00	20.52
37.	54	4701.03.260.II.JE Head Works	..	18.70	23.01

(1)	(2)	(3)	(4)	(5)	(6)
38.	55	4551.114.III.SA Construction of buildings in Panchayat Union Schools in the Nilgiris District	..	0.01	36.00
39.	55	4059.01.051.I.AJ Public Works	0.01	20.57	27.55
40.	55	4059.01.051.II.JB Community Development Buildings for Panchayat Unions	0.01	12.23	12.23
41.	55	4210.03.102.II.JA Buildings	0.06	15.44	11.38
42.	55	4059.01.051.II.JG Administration of Justice	..	..	67.40
43.	55	4211.102.III.SD World Bank Aided India Population Project	..	..	65.35
44.	58	4551.01.106.III.SM Cultivation of Agave in Western Ghats region	..	25.05	25.37
45.	58	4406.01.070.II.PA Establishment of Southern Forest Research Institute at Vandalur under Tamil Nadu Agricultural Development Project Phase.II for extension activities	..	15.00	33.79
46.	58	4406.01.101.II.PA Rehabilitation and afforestation of shifting cultivation area in Tribal Village under Tamil Nadu Agricultural Development Project Phase.II	..	31.60	63.01
47.	58	4406.01.101.II.PB Establishment of Modern Nursery under Tamil Nadu Agricultural Development Project Phase.II	..	31.35	13.75

(1)	(2)	(3)	(4)	(5)	(6)
48.	60	4070.003.I.AA Police Academy, Veerapuram Works executed by Tamil Nadu Police Housing Corporation	..	3,71.00	3,71.00
49.	60	4551.60.800.III.SI Desilting of Ooty Lake	..	..	97.37
50.	60	4216.01.107.I.AE Assistance to Tamil Nadu Police Housing Corporation	..	..	15.00
51.	60	5452.01.101.II.JG Lumpsum provision for Cen- trally assisted tourism promo- tion schemes	0.01	78.83	78.84
52.	60	4225.03.190.II.JA Backward Classes Economic Development Corporation	0.01	..	42.00
53.	60	5465.01.190.II.JA Share Capital Assistance to Regional Rural Banks	..	32.21	34.91
54.	60	4425.108.III.SR Assistance towards the Share Capital of Weaker sections Co- operatives	..	13.40	13.40
55.	61	6851.103.V.ZF Loans to Tamil Nadu Handloom Weavers' Co-operative Society limited for construction of 63 showrooms in the Marketing Com- plex at Egmore, Madras under National Co-operative Develop- ment Corporation Assistance - Controlled by the Director of Hand- looms and Textiles	..	45.75	45.75
56.	61	6404.800.V.ZA Loans to Co-operative Institutions and Banks Controlled by Commi- ssioner of Milk Production	..	45.50	45.50

(1)	(2)	(3)	(4)	(5)	(6)
57.	61	6851.103.VI.UB Loans for implementation of Project Package Scheme for Handloom Weavers - controlled by the Director of Handlooms and Textiles	..	39.80	39.80
58.	61	6425.108.III.SP Loans to Co-operative Institutions and Banks-controlled by the Registrar of Co-operative Societies	..	16.80	16.80
59.	61	6215.01.191.I.AJ Loans to Local bodies for execution of water supply schemes controlled by the Commissioner of Town Planning	..	..	24.47
60.	61	6215.01.191.II.PD Loans to Madras Metropolitan Water Supply and Sewerage Board for implementation of New Veeranam Project Distribution Works executed by Metro Water	..	10,40.00	10,40.00
61.	61	6215.01.191.II.PC Loans to Madras Metropolitan Water Supply and Sewerage Board for implementation of New Veeranam Project Transmission Works executed by Tamil Nadu Water Supply and Drainage Board	..	4,00.00	4,00.00
62.	61	6401.113.II.JC Loans to Tamil Nadu Agro Industries Corporation Limited towards its repayment of loan from Indian Bank for the purchase of 30 Bulldozers	0.01	99.21	99.22
63.	61	6425.107.II.JB Loans to Co-operative Institutions and Banks-controlled by the Registrar of Co-operative Societies	0.01	10.28	10.29
		Total			51,32.74

APPENDIX VIII

(Reference: paragraph 2.3(b); page 42)

STATEMENT SHOWING THE GRANTWISE DETAILS OF SCHEMES ASSISTED BY CENTRAL GOVERNMENT, AUTONOMOUS BODIES, ETC., HERE ONLY TOKEN PROVISION WAS MADE IN THE BUDGET ESTIMATES

(Rupees in lakhs)

ial nber	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
	(2)	(3)	(4)	(5)	(6)
1.	20	2401.108.III.SW Special Component Plan for Scheduled Castes - Integrated Programme for Development of Spices	0.02	15.18	23.01
2.	22	2551.60.105.III.TH Lumpsum provision for New Schemes under Hill Area Development Programme	0.01	(-) 0.01	19.41
3.	25	2851.103.VI.UG Implementation of Project Package Scheme for Handloom Weavers	0.01	1,74.23	1,74.24
4.	40	2245.01.102.I.AC Grants to Panchayat Unions/Panchayats for transportation of Water Supply in drought affected areas	0.02	44,55.23	42,84.90
5.	40	2245.01.102.I.AB Grants to Municipalities/ Municipal Corporations for transportation of water supply in drought affected areas	0.01	3,80.89	9,41.91
6.	40	2245.02.101.I.AE Cash doles to persons affected in floods	0.02	10.96	17.33

(1)	(2)	(3)	(4)	(5)	(6)
7.	40	2245.01.102.I.AA Assistance to Municipalities for the works executed by the Tamil Nadu Water Supply and Drainage Board	0.01	..	16.58
8.	40	2245.02.101.I.AF Supply of food and clothing in flood affected areas	0.02	39.41	15.59
9.	55	4551.114.III.SA Construction of Buildings in Panchayat Union Schools in the Nilgiris District	..	0.01	36.00
10.	58	4406.01.102.III.SK Implementation of Integrated Wasteland Development Project in Palakombai, Pulimankombai and Ethakoil Watersheds in Madurai District	0.01	76.86	73.79
11.	58	4406.01.101.III.SA Scheme for Establishment of Gulf of Mannar Biosphere Reserve	0.01	27.74	49.68
12.	61	6407.01.195.V.ZA Loans to Co-operative Institutions and Banks - Controlled by the Director of Industries and Commerce	0.02	2,25.58	2,25.60
13.	61	6425.107.V.ZA Loans to Co-operative Institutions and Banks - Controlled by the Registrar of Co-operative Societies	0.01	2,06.87	2,06.88
14.	61	6860.60.600.III.SD Loans for setting up of Mobile shops - Controlled by the Registrar of Co-operative Societies	0.01	5.99	6.00
		Total	0.18	56,18.94	60,90.92

APPENDIX IX

(Reference : paragraph 2.4; page 43)

DETAILS SHOWING TRANSFERS TO "8443 - CIVIL DEPOSITS"

(Rupees in lakhs)

Serial Number	Name of Government Undertaking/ Corporation	Balance in Personal Deposit Account as of 31 March, 1996 out of release in 1995-96	Head of Account Debited	Amount earmarked for implementation of programmes out of Column 3	Amount released out of Column 5 during last week of March 1996	Government of India assistance out of Column 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Sports Development Authority	45.95	2204.00.104.II.JL	26.21	26.21	..
2.	Tamil Nadu Civil Supplies Corporation	8650.00	3456.00.103.I.AC	600.00	600.00	..
3.	Tamil Nadu Water Supply and Drainage Board	699.47	6215.01.191.AB	140.00	140.00	..
			2215.01.102.VI.UA	278.93	278.93	187.18
4.	Tamil Nadu Urban Finance and Infrastructure Development Corporation	665.00	2217.05.191.II.PA	665.00	665.00	..
5.	Corporation of Chennai	1055.00	3604.00.200.I.AT	555.00	..	
			3604.00.200.I.AV	500.00	500.00	..
6.	Tamil Nadu Tourism Development Corporation Ltd.	20.30	3452.80.00.II.JI	7.50	..	..
			5452.80.191.II.JA	12.00	..	..
7.	Tamil Nadu Co-operative Housing Federation	11,77.88	2216.03.104.II.JD	150.00	150.00	..
			2216.03.104.II.JB	640.00	640.00	..
			2216.80.800.II.JF	300.55	..	..

(1)	(2)	(3)	(4)	(5)	(6)	(7)
8.	Tamil Nadu Primary Weavers' Co-operative Society	80.25	4860.01.191.II.JF	22.07	..	..
			NA	50.00	50.00	..
			2851.00.103.VI.UF	8.18	8.18	..
9.	Electronics Corporation of Tamil Nadu	200.00	4859.02.190.II.JA	200.00	200.00	..
10.	Tamil Nadu Energy Development Agency	339.99	3425.60.200.II.JE	276.79	238.24	..
			2551.01.190.III.SB	3.50	..	..
11.	Tamil Nadu Khadi and Village Industries Board	173.80	2851.00.105.JC	128.41	128.41	..
12.	Tamil Nadu Industrial Investment Corporation	10.00	2885.01.101.II.JD	10.00	10.00	..
13.	Metropolitan Infrastructure Development Corporation	2000.00	4217.01.190.II.JA	2,000.00	1,165.00	..
14.	Tamil Nadu Police Housing Corporation	1068.36	4216.01.107.II.JC	1,050.00	1,050.00	..
15.	Tamil Nadu Power Finance Infrastructure Development Corporation	24.21	6801.01.800.I.AD	175.00	175.00	..
16.	Tamil Nadu Agro Industries Corporation	115.50	4401.00.113.II.JA	15.00	..	..
			4401.00.190.II.JG	26.00	26.00	..
			2401.00.113.VI.UA	10.00	10.00	10.00
			2401.00.112.VI.UA	13.00	13.00	..
			2401.00.102.VI.UA	51.50	51.50	..

NA : Not available.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
17.	Tamil Nadu Agro Engineering Service Co-operative Federation	44.02	2401.00.114.VI.UD	44.02	..	33.02
18.	National Project for Control of Blindness	141.80	2210.06.101.III.SM	141.80	..	141.80
19.	Tamil Nadu Medical Services Corporation	1477.95	2210.01.110.II.JA	2.85	2.85	..
			2211.00.103.III.SA	25.00	25.00	25.00
20.	Project Officer, Hill Area Development Programme, Udhagamandalam	238.46	2551.Hill Area Development Programme	238.46	..	238.46
	Total	18227.94		8366.77	6153.32	635.46

APPENDIX X

(Reference : paragraph 2.4; page 43)

DETAILS OF AMOUNTS KEPT UNUTILISED IN PERSONAL DEPOSIT ACCOUNTS

(Rupees in lakhs)

Serial number	Name of Government Company/Corporation	Amount kept unutilised out of drawals during the year
1.	Tamil Nadu Pollution Control Board	38.06
2.	Tamil Nadu Co-operative Housing Federation	735.61
3.	Tamil Nadu Khadi and Village Industries Board	43.80
4.	Tamil Nadu Industrial Promotion Corporation	351.36
5.	National Project for Control of Blindness	95.00
6.	State AIDS Control Society	8.63
	Total	**1272.46**

APPENDIX XI

(Reference: paragraph 2.8; page 47)

SHORTFALL / EXCESS IN RECOVERIES EXCEEDING Rs.1 CRORE

Number and title of grant	Estimated recovery	Amount of excess (+)/ Shortfall (-) as compared to estimates	Main reasons for the excess/shortfall
(1)	(2)	(3)	(4)
12. Administration of Tamil Nadu Hindu Religious and Charitable Endowments Act, 1959	11.89	(+) 6.85	Mainly due to more adjustment under Tamil Nadu Hindu Religious and Charitable Endowments Fund
17. Education	76.98	(-) 56.79	Mainly due to less recovery under "2202.02.109.I.AA. General"
20. Agriculture	19.62	(-) 13.82	Mainly due to less recovery under the heads of account relating to various Soil Conservation Schemes and on-farm development works
27. Rural Development	1.22	(+) 1.79	Mainly due to more recovery under the head of account "2505.01.702.II.JA Jawahar Velai Vaippu Thittam"
29. Social Welfare	4.68	(-) 3.99	Mainly due to non-adjustment under the head of account "2235.02.902.I.AD *Deduct* - Amount met from Puratchi Thalaivi Dr.J. Jayalalitha Girl Child Welfare Fund Account"
35. Irrigation	1.44	(+) 2.00	Mainly due to more recovery under "2059.80.105.I.AD Work shop Establishment"

(1)		(2)	(3)	(4)
37.	Public Works - Establishment and Tools and Plant	41.62	(-) 12.46	Mainly due to less adjustment of Establishment charges transferred on *pro-rata* basis to various Revenue Major heads, offset by more adjustment under Establishment charges transferred on percentage basis to various capital major heads
40.	Relief on account of Natural Calamities	56.02	(+) 4.18	Mainly due to more adjustment under the head of account "2245.05.901.I.AA *Deduct* Amount met from Calamity Relief Fund"
43.	Stationery and Printing	1.26	(+) 1.02	Mainly due to more recoveries from other Government Departments towards the cost of stationery supplied to them
44.	Forest Department	0.65	(+) 1.13	Mainly due to adjustment made under the head of account "2406.01.902.I.AB *Deduct* - Amount met from Tamil Nadu Forest Department", against a token provision of Rs.1,000 only
48.	Water supply	3.01	(-) 3.00	Mainly due to non-adjustment under the head of account "2215.01.902.I.AA - *Deduct* - Amount met from Tamil Nadu Special Welfare Fund"
52.	Capital outlay on Agriculture	5.18	(-) 2.45	Due to non-adjustment under the head of account "5054. 80.902.II.JA *Deduct* - Amount met from Sugarcane Cess Fund and more adjustment under "2054.80.902.I.AA *Deduct* amount met from Sugarcane Cess Fund"

(1)	(2)	(3)	(4)
Capital outlay on Industrial Development	Token provision of Rs.1000	(+) 11.39	Mainly due to recoveries made under the heads of account "4860.05.190.I.AA Assistance towards the Share Capital to the Tamil Nadu Newsprint and Paper Ltd." and "4860.05.190. II. JA Assistance towards the Share Capital to the Tamil Nadu Newsprint and paper Ltd."
Capital outlay on Irrigation	1.87	(+) 1.04	Mainly due to adjustment made under the head of account "4701. 01. 207. II. PE Suspense" without any Budget provision.

APPENDIX XII

(Reference: paragraph 3.27 (i); page 136)

CASES OF MISAPPROPRIATION PENDING FINALISATION AS ON 30 JUNE, 1996

(i) Departmentwise analysis

(Rupees in lakh)

Serial number	Department	Number of cases	Amount
1.	Agriculture	36	34.41
2.	Commercial Taxes and Religious Endowments	5	3.29
3.	Co-operation, Food and Consumer Protection	1	0.14
4.	Education	28	18.11
5.	Environment and Forests	3	1.67
6.	Finance	9	7.38
7.	Handlooms, Handicrafts, Textiles and Khadi	4	1.17
8.	Health, Indian Medicine and Homoeopathy and Family Welfare	29	17.32
9.	Home	3	1.51
10.	Information and Tourism	1	0.77
11.	Labour and Employment	3	0.19
12.	Personnel and Administrative Reforms	1	1.92
13.	Prohibition and Excise	1	6.62
14.	Public	1	0.03
15.	Public Works	4	0.76
16.	Revenue	312	34.58
17.	Rural Development	10	11.42
18.	Social Welfare and Nutritious Meal Programme	7	2.76
	Total	458	144.05

(ii) Yearwise analysis

(Rupees in lakhs)

Year	Number of cases	Amount
1990-91 and earlier years	332	90.18
1991-92	25	6.99
1992-93	32	18.08
1993-94	31	16.07
1994-95	17	10.38
1995-96	21	2.35
	-----	--------
Total	458	144.05*

* In respect of two cases relating to the years 1988-89 and 1995-96, the amount involved was not reported by the Directorate of Collegiate Education.

APPENDIX XIII

(Reference: paragraph 3.27 (ii); page 137)

CASES OF SHORTAGES, ETC., PENDING FINALISATION AS ON 30 JUNE, 1996

(i) Departmentwise analysis

(Rupees in lakhs)

Serial number	Department	Number of cases	Amount
1.	Agriculture	196	65.44
2.	Animal Husbandry and Fisheries	38	4.93
3.	Backward Classes	2	0.04
4.	Co-operation, Food and Consumer Protection	1	0.02
5.	Education	26	3.71
6.	Environment and Forests	9	5.11
7.	Finance	3	5.85
8.	Handlooms, Handicrafts, Textiles and Khadi	2	0.54
9.	Health, Indian Medicine and Homoeopathy and Family Welfare	38	22.51
10.	Home	1	0.97
11.	Information and Tourism	1	0.04
12.	Labour and Employment	5	0.60
13.	Public	1	0.03
14.	Public Works	1,833	176.74
15.	Revenue	33	3.05
16.	Rural Development	10	6.12
17.	Transport	2	0.49
	Total	2,201	296.19

(ii) Yearwise analysis

(Rupees in lakhs)

Year	Number of cases	Amount
1990-91 and earlier years	175	63.11
1991-92	30	6.52
1992-93	42	8.56
1993-94	52	7.45
1994-95	1,357	55.41
1995-96	545	155.14
Total	2,201	296.19*

* Does not include the value for damages to immovable properties (191 items) in Saidapet Division, Public Works Department during the year 1995-96 which was not furnished.

APPEN
(Reference: para

SUMMARISED FINANCIAL POSITION
QUASI-COMMERCIAL

Serial number	Name of the Department	Year of commencement	Period of accounts	Capital at close	Net block of assets	Cumulative Depreciation
I.	AGRICULTURE DEPARTMENT					
1.	Government Agricultural Engineering Workshop, Madras	1952	1994-95	331.12	10.72	11.36
2.	Scheme for Purchase and Distribution of Chemical Fertilisers, Madras	1954	1980-81	445.95	..	..
II.	ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT					
3.	Chank Fisheries, Tuticorin	1909	1992-93	149.06	3.47	6.60
4.	Chank Fisheries, Ramanathapuram	1978	1991-92	43.76	0.38	0.56
	Total					

DIX XIV
graph 7.1; page 207)

OF THE GOVERNMENT COMMERCIAL/ UNDERTAKINGS

(Rupees in lakhs)

Turn-over	Net Profit(+)/Net Loss(-)		Mean capital	Percentage of return on Mean Capital		Remarks
	Before charging interest on capital	After charging interest on capital		Before charging interest on capital	After charging interest on capital	
31.58	(-) 37.19	(-) 46.84	302.27	..	..	..
7.32	(-) 14.26	(-) 47.92	440.96	..	..	Provisional
1.37	(-) 16.89	(-) 18.47	140.96	..	..	..
12.73	(-) 8.58	(-) 15.77	60.77	..	..	..
		(-) 129.00				

APPENDIX XV

GLOSSARY OF ABBREVIATIONS

ABDO	:	Additional Block Development Officer
AC	:	Asphaltic Concrete
AD & TW	:	Adi Dravidar and Tribal Welfare
AMEMS	:	Accident Management and Emergency Medical Services
BM	:	Bituminous Macadam
BUS	:	Pallavan Transport Corporation
CBR	:	California Bearing Ratio
CE	:	Chief Engineer
CE(H)	:	Chief Engineer (Highways)
CMC	:	Chief Management Committee
CRS	:	Casualty Receiving Station
DAD & TW	:	Directorate of Adi Dravidar and Tribal Welfare
DAH	:	Directorate of Animal Husbandry
DBM	:	Dense Bituminous Macadam
DE	:	Divisional Engineer
DET	:	Directorate of Employment and Training
DGP	:	Director General of Police
DHT	:	Director of Handlooms and Textiles

DIC	:	District Industries Centre
DME	:	Director of Medical Education
DRD	:	Director of Rural Development
DRDA	:	District Rural Development Agency
EAS	:	Employment Assurance Scheme
EC	:	Empowered Committee
GOI	:	Government of India
GRH	:	Government Royapettah Hospital
GTN	:	Government of Tamil Nadu
ha	:	hectare
HAD	:	Hindu Adi Dravidar
HC	:	High Court
HFW	:	Health and Family Welfare
HRW/H&RW	:	Highways and Rural Works
HT	:	High tension
IRC	:	Indian Road Congress
IRR	:	Inner Ring Road
JVVT	:	Jawahar Velai Vaippu Thittam
LAND	:	Land Development
MD	:	Managing Director
MMDA	:	Madras Metropolitan Development Authority
MOST	:	Ministry of Surface Transport
MSA	:	Million standard axle

MT	:	Metric tonnes
MUDF	:	Municipal Urban Development Fund
MW Act	:	Minimum Wages Act
NGO	:	Non-Governmental Organisation
NH	:	National Highways
NHP	:	National Highways Project
NMR	:	Nominal Muster Roll
PAO	:	Pay and Accounts Office
PCC	:	Profile Correction Course
PMG	:	Project Management Group
POL	:	Petrol, Oil and Lubricants
PTC	:	Pallavan Transport Corporation
PWD	:	Public Works Department
RAB	:	Running account bill
ROB	:	Road Over-Bridge/Railway Over-Bridge
RPDS	:	Revamped Public Distribution System
RR	:	Random rubble
RUB	:	Railway Under-Bridge
SB	:	Savings Bank
SC	:	Scheduled Castes
SCA	:	Special Central Assistance
SCP	:	Special Component Plan

SDC	:	Semi-dense carpet
SE	:	Superintending Engineer
SG	:	Sand gravel
SIP	:	Slum Improvement Programme
SSS	:	Self Sufficiency Scheme
TAHDCO	:	Tamil Nadu Adi Dravidar Housing and Development Corporation
TNCDW	:	Tamil Nadu Corporation for Development of Women
TNEB	:	Tamil Nadu Electricity Board
TNKVIB	:	Tamil Nadu Khadi and Village Industries Board
TNSCC	:	Tamil Nadu State Construction Corporation
TNTC	:	Tamil Nadu Textile Corporation
TNTDFC	:	Tamil Nadu Transport Development Finance Corporation
TNUDP	:	Tamil Nadu Urban Development Project
TRAMP	:	Transport and Traffic Management Programme
TWAD	:	Tamil Nadu Water Supply and Drainage Board
VAO	:	Village Administrative Officer
WBM	:	World Bank Mission/Water Bound Macadam