Reports I

Report of the Comptroller and Auditor General of India

for the year ended 31 March 2000

(Civil)

Government of Tamil Nadu

http://www.cagindia.org/states/tamilnadu

TABLE OF CONTENTS

2-24—3

PREFACE

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2000.

3. The remaining chapters deal with the findings of performance audit and audit of transactions in the various departments including the Public Works Department, audit of Stores and Stock, audit of Autonomous Bodies and departmentally run commercial undertakings.

4. The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.

5. The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 1999-2000 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 1999-2000 have also been included wherever necessary.

OVERVIEW

OVERVIEW

This Report includes two chapters containing Audit observations on Finance and Appropriation Accounts of Government of Tamil Nadu for the year 1999-2000 and five other chapters on seven Audit Reviews and 46 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 grew by only 7.8 *per cent* during 1999-2000 while the liabilities grew by 22.7 *per cent* mainly as a result of 38.9 *per cent* growth in the deficit in the Government account. The share of revenue receipts went up from 73.7 *per cent* of the total receipts of Government in 1998-99 to 74 *per cent* during 1999-2000. While the share of recoveries of loans and advances went down from 1.7 *per cent* to 1.4 *per cent*, the net receipts from the Public Account increased from 8.2 *per cent* to 10.6 *per cent* due to increase in deposits and advances.

The share of revenue expenditure to total expenditure went up from 91.4 *per cent* to 93.9 *per cent* and remained significantly higher than the share of revenue receipts, leading to a higher revenue deficit of Rs 4400 crore during 1999-2000. Balance from Current Revenues was not only negative as in 1998-99 but rose to Rs (-) 3226 crore from Rs (-) 1914 crore in 1998-99, indicating that Government had to depend only on borrowings to meet its plan expenditure.

Interest payments increased by 110 *per cent* from Rs 1293 crore in 1995-96 to Rs 2711 crore in 1999-2000. The interest ratio which is the ratio of net interest burden to revenue receipts less interest receipts shot up from 0.09 to 0.15 over the five year period.

Assistance to local bodies, Universities, etc., declined from 21 *per cent* in 1998-99 to 20 *per cent* of the revenue expenditure in 1999-2000.

The recovery of loans and advances by State Government went down from Rs 323 crore in 1998-99 to Rs 314 crore in 1999-2000.

The ratio between capital outlay and capital receipts declined from 0.60 in 1996-97 to 0.16 in 1999-2000 indicating a worsening sustainability, as a substantial part of the capital receipts were not available for capital formation or investment.

As on 31 March 2000, 49 Government companies, in which Government had invested Rs 901.58 crore, were running under loss with accumulated losses of Rs 1805.99 crore up to March 1999 (the period for which the accounts were rendered). Even the companies which were making profits were giving only a marginal return on investment ranging from 1.40 *per cent* to 3.46 *per cent* during 1995-96 to 1999-2000. Thus, while the Government was raising high cost borrowings (at 11.74 *per cent* to 14 *per cent* rate of interest) from the market, its investments in Government companies etc., fetched insignificant returns.

Revenue realised from 5 major and 47 medium irrigation projects with a total capital outlay of Rs 1801.32 crore was only 0.27 *per cent* of the capital outlay and was not sufficient to cover even the direct working expenses of Rs 76.44 crore. The schemes suffered a net loss of Rs 146.05 crore in 1998-99 of which the loss under 5 major irrigation projects was substantial (Rs 111.58 crore).

The revenue deficit of Rs 4400 crore in 1999-2000 was partly met by borrowings (Rs 3108 crore). The fiscal deficit of Rs 5382 crore was financed by net proceeds of the Public Debt (Rs 3108 crore) and surplus from Public Account (Rs 2332 crore). The ratio of Revenue deficit to Fiscal deficit increased from 0.45 in 1996-97 to 0.82 in 1999-2000 indicating that a larger share of the borrowings was applied to meet the revenue expenditure.

The amount of outstanding guarantees given by Government as on 31 March 2000 was Rs 5654 crore. Rupees 2.36 crore were received as guarantee commission during 1999-2000, while Rs 4.60 crore was outstanding for recovery as on 31 March 2000 from 6 Government companies and Cooperative Sugar mills.

Only a small part of the borrowings (less than 17 *per cent*) was available for investment and other expenditure after meeting repayment obligations.

Analysis of financial data for the Government of Tamil Nadu showed that revenue expenditure was being increasingly financed by borrowings. Substantial increase in interest payment consequent to the increased borrowings over the years coupled with the falling Balance from Current Revenues affected the financial position of the State, aggravating the imbalance between Assets and Liabilities and other fiscal indicators changed for the worse.

(Paragraphs 1.1 to 1.11)

2 Appropriation Audit and control over expenditure

During 1999-2000, expenditure of Rs 28717.41 crore was incurred against the total grants and appropriations of Rs 30271.51 crore resulting in a saving of Rs 1554.10 crore (5 *per cent*). The overall saving was the result of saving of Rs 1917.09 crore in 52 grants and 53 appropriations offset by excess of Rs 362.99 crore in 9 grants and 1 appropriation. The above excess of Rs 362.99 crore requires regularisation by the Legislature under Article 205 of the Constitution.

Supplementary provision of Rs 7199.20 crore obtained during 1999-2000 constituted 31 *per cent* of original budget provision of Rs 23072.31 crore. Ninety six *per cent* of funds was provided in Supplementary Estimates in March 2000 and 93 *per cent* was for meeting non-plan expenditure.

Supplementary provision of Rs 23.92 crore obtained in March 2000 in 16 grants and 13 appropriations proved unnecessary in view of the final saving in each grant/appropriation being more than the supplementary provision. On the other hand, in 5 grants, supplementary provision obtained during the year proved insufficient, resulting in uncovered excess expenditure of Rs 362.47 crore.

Significant excess was persistent in 2 grants (Grant 35 and 38). Persistent savings of 5 *per cent* and above were noticed in 8 grants and 6 appropriations.

In respect of 78 schemes, out of the total provision of Rs 1343.42 crore, Rs 1223.38 crore (91 *per cent*) were surrendered either due to non-implementation or slow implementation of the schemes.

In 107 schemes, expenditure of Rs 1529.75 crore incurred during March 2000 was more than 50 *per cent* of the total expenditure, revealing rush of expenditure during the last month of the financial year.

In 49 schemes, expenditure of Rs 29.79 crore was incurred which attracted the limitations of New Service/New Instrument of Service for which approval of Legislature or advance from Contingency Fund should have been obtained.

(Paragraphs 2.1 to 2.11)

3 District Primary Education Programme

The District Primary Education Programme, a centrally sponsored scheme, was implemented in the State through a registered society with a view to revitalise primary education system and achieving the goals of universalisation of primary education. The main objectives of the scheme are (i) to reduce differences in enrolment, drop-out and learning achievement between gender and social groups to less than 5 per cent; (ii) to reduce overall primary drop-out rates for all students to less than 10 per cent; (iii) to raise average achievement levels by at least 25 per cent over measured baseline levels by ensuring achievement of basic literacy and numeracy competencies and a minimum of 40 per cent achievement levels in other competencies by all primary school children; (iv) to provide access to all children to primary education. The programme was implemented in four districts from 1994-95 and in three more districts from 1997-98.

The review revealed that there was no significant impact on enrolment of children in the age group of 6-11 years; in fact, there was a decline in three districts. The drop-out rate in primary classes had not come down to the envisaged level. Adequate number of Alternative Schooling Centres were not set up resulting in inadequate coverage of non-starters/drop-outs.

The percentage of children enrolled declined in three districts during 1995-2000 and the increase in two districts was only between 1 to 2 *per cent*.

The drop-out rate was higher at 15 to 16 *per cent* during 1996-99 as against the envisaged 10 *per cent*.

In four districts, 1033 Alternative Schooling Centres were opened and covered only 11 *per cent* of the eligible children.

Failure to execute the construction of school buildings through community participation resulted in excess expenditure of Rs 7.68 crore.

Appointment of additional teachers in the absence of increase in enrolment of students resulted in extra commitment of Rs 13.63 crore from scheme funds.

(Paragraph 3.5)

4 National Family Welfare Programme

National Family Welfare Programme, which was introduced as a target-oriented programme in 1952, was converted into a target-free but community need-based programme from 1995-96 onwards. The main objectives of the programme were to bring down the birth and death rates through various family welfare measures and to persuade people to adopt small family norms by popularising the use of temporary family planning devices and to provide medical services to the acceptors of family planning measures. A review of the implementation of the programme revealed that the State had achieved national demographic goals set for the year 2000 in respect of Crude Birth Rate, Crude Death Rate and Infant Mortality Rate. The effective Couple Protection Rate achieved by March 1999 was far below the national target. Specified targets under various maternal and child health activities like institutional deliveries, deliveries by trained staff, prophylaxis against blindness, immunisation with Tetanus Toxoid to children were not achieved during 1995-96 to 1999-2000. The number of sterilisations conducted at Primary Health Centres was very small. Vasectomy operations conducted in the State were very meagre. Release and utilisation of funds under Reproductive and Child Health Programme through which the maternal and child health care activities were co-ordinated was very poor.

While the national demographic goals to be achieved by the year 2000 were Crude Birth Rate of 21 per thousand, Crude Death Rate of 9 per thousand and Infant Mortality Rate of below 60 per thousand live births, the State achieved 19.3, 8.0 and 52 respectively at the end of 1999. However, the Infant Mortality Rate in Dharmapuri and Salem Districts were very high at 75 and 76 respectively.

The effective Couple Protection Rate achieved by March 1999 was only 50.2 *per cent*, while the target was 60 *per cent* to be achieved by March 2000.

Only meagre number of sterilisations were conducted in Primary Health Centres in 6 districts as operation theatres were not in use.

The short supply of oral pills, Copper T, Vitamin A and Iron and Folic Acid tablets worth Rs 2.47 crore by GOI during 1995-98 was not reported to Government of India. The entire value of stores was adjusted in State Government account without verifying the actual receipt.

(Paragraph 3.2)

5 Implementation of environmental Acts and Rules relating to water pollution

Government of India enacted the Water (prevention and control of pollution) Act 1974 and Water (prevention and control of pollution) Cess Act 1977 with the objective of prevention, control and abatement of water pollution through planning comprehensive programmes. An audit of implementation of Environmental Acts and Rules relating to water pollution revealed that though required in the Act/Rules, the urban local bodies had not provided sewage treatment plants for treatment of effluent water before letting into water courses; industrial units were functioning in the State without renewing the consent from Tamil Nadu Pollution Control Board and no penal/legal action under the Act was taken by the Tamil Nadu Pollution Control Board on defaulting industries, the quality of water in various water sources in the State was below standard. The schemes for prevention, control and abatement of water pollution at sources had not fully started in the State.

- Fifty seven to 67 *per cent* of the water samples analysed by the Chief Water Analyst during 1994-99 in 23 districts were found to be below standard.

- One hundred and one out of 108 urban local bodies had not provided sewage treatment plants, with the result, the domestic sewage water was continued to be let into streams, rivers and other water courses, thus polluting the water sources.

- As of March 2000, 2303 industries had not applied to the Board for renewal of consent.

- There was shortfall in carrying out inspections of highly polluting industries, to the extent of 6 to 92 *per cent*.

(Paragraph 3.1)

6 Urban Employment Generation Programme

Government of India launched Nehru Rozgar Yojana, Urban Basic Services for Poor, Prime Minister's Integrated Urban Poverty Eradication Programme and Prime Minister's Rozgar Yojana during 1989-96 for providing employment to urban poor through wage employment/self-employment schemes and to provide basic physical and social amenities and creation of other needy infrastructure like shelter upgradation. The first 3 schemes were merged into a new scheme "Swarna Jayanthi Shahari Rozgar Yojana" from December 1997. Though the urban poverty level, according to the *socio-economic survey conducted by the urban local bodies during 1998-99, declined to 29 per cent against 39.8 per cent during 1993-94, the same could not be attributed to the implementation of Urban Employment Generation Programmes, as huge funds relating to old and new schemes were lying unutilised at various levels. The performance under self-employment component was very poor and the shelter upgradation component was not taken up after 1992-93.*

- While Rs 75.15 crore being the unutilised amount relating to the earlier 3 schemes were transferred to the new scheme, utilisation of funds under the new scheme was also poor; Rs 10.78 crore were lying unutilised under Urban Self Employment Programme of the new scheme with the implementing Directorates and urban local bodies.

- The average number of mandays of employment provided per urban family below poverty line during 1998-99 and 1999-2000 worked out to 4 days only under Urban Wage Employment Programme of the new scheme; under Prime Minister's Integrated Urban Poverty Eradication Programme, only 1,144 families were benefited under self-employment during April 1995 to November 1997 out of 1.52 lakh families below poverty line identified in 41 towns.

- The Scheme of Housing and Shelter Upgradation was not implemented by Tamil Nadu Urban Finance and Infrastructure Development Corporation, despite release of Rs 2.28 crore resulting in deprival of shelter benefits to about 0.57 lakh persons as projected.

- Payment of wages at rates less than the minimum wages prescribed under the Minimum Wages Act resulted in under-payment of Rs 83.56 lakh to workers in 130 urban local bodies during 1998-2000.

- Non-adherence to prescribed wage-material ratio in 1,210 works executed by 15 Municipalities and 84 town panchayats resulted in an excess expenditure of Rs 3.08 crore on material component.

(Paragraph 6.1)

7 *Working of Rural Development Department*

The ultimate objective of Rural Development Department is to alleviate poverty and improve the standard of living of rural population through self-employment and wage-employment programmes, build rural infrastructure, provide and maintain basic amenities and services in the rural areas. This was sought to be accomplished by implementing various Central/State programmes. A review of the working of the Department revealed that despite the declining trend of poverty level in the State, the benefits were not distributed evenly; some districts showed increasing trend of rural poverty. Budgetary procedure followed and control over expenditure in the Department was inadequate. Programme implementation suffered due to over-charging the scheme funds towards administrative expenditure, diversion *of funds, inadequate planning, avoidable expenditure and inadequate manpower management. Some important findings are given below*:

Substantial surrenders during 1996-97, 1997-98 and 1999-2000 after obtaining supplementary grants in the month of March indicated inaccurate estimation of expenditure. Excess expenditure of Rs 40.53 crore during 1998-99 also indicates inadequate control over expenditure.

There was excess charging of Rs 3.28 crore in administrative cost during 1998-99 against Centrally sponsored schemes.

Though overall rural poverty declined by 13 *per cent* during 1991 to 1999 (from 31.46 lakh families to 27.38 lakh families), in five districts it actually increased by 3.5 to 24.4 *per cent* which indicated that benefits of poverty alleviation programmes did not reach the poor evenly throughout the State.

Inadequate planning and consequent delay in utilisation of central assistance released for Central Rural Sanitation Programme resulted in non-receipt of further central assistance of Rs 2.37 crore.

(Paragraph 3.4)

8 Financial Management in Tamil Nadu Water Supply and Drainage Board

Tamil Nadu Water Supply and Drainage Board executes water supply and drainage schemes on behalf of local bodies. Funding is mainly through Government grants and loans from Government and financial institutions. A review of the financial management of the Board revealed that budgeting system is defective; its budget was unrealistic as the estimate for expenditure was prepared based on the anticipated receipts from Government without any reference to the estimated cost of works and the balance of funds available with the Board; funds were drawn far in advance/without requirement and thereby the Board earned unintended interest benefit at the cost of local bodies; there was large scale diversion of funds and works expenditure was inflated to earn revenue for the Board.

- The Board had not kept scheme-wise liabilities in respect of deposits received for execution of works and showed less liability in the accounts to the extent of Rs 5.50 crore.

- The Board drew loan of Rs 48.64 crore far in advance of requirement and in excess of requirement resulting in unnecessary financial burden of Rs 7.58 crore to Government and to local bodies by way of payment of interest.

- The Board had no control over expenditure as funds were released based on projections according to progress of work and the expenditure under each unit of appropriation had no relation to the receipts and budget provisions.

- The Board pooled all resources and incurred expenditure without any relevance to the purpose for which the deposits were received.

- The Board charged 8.5 *per cent* interest on expenditure in excess of deposits received from local bodies but paid only 2.5 *per cent* interest when deposit was in excess of expenditure, resulting in a net interest gain of Rs 24.60 crore to the Board at the cost of local bodies.

(Paragraph 6.2)

9 Implementation of 'Prevention of Food Adulteration Act, 1954'

The Prevention of Food Adulteration Act 1954 is a Central Act implemented in the State from June 1955. A review of the records relating to the implementation of the Act revealed that out of 13,746 local bodies (including 12,612 village panchayats), the Act was implemented only in 481 local bodies and food samples were taken and analysed only in 110 local bodies. Due to non-availability of Food Inspectors, no food samples were taken and analysed in the remaining local bodies.

Poor performance in lifting of samples by Food Inspectors, and inadequate collection of samples for analysis from manufacturers and wholesalers were noticed. Adulteration-prone foods such as milk and vegetables and meat products were not sampled and analysed.

- Percentage of achievement against the quota fixed for lifting and analysing samples declined from 34 in 1995-96 to 12 in 1999-2000.

- Samples of branded items of the same type continued to be lifted and analysed even though the percentage of adulteration in those items was very low.

- Licence fees from vendors and fees for analysis of private samples fixed as early as in 1961 were not revised and proposals submitted in this regard were pending with Government.

(Paragraph 3.3)

10 Members of Parliament Local Area Development Scheme

Members of Parliament Local Area Development Scheme was implemented in the State from 1993-94. Under the scheme, each Member of Parliament has the choice of suggesting to the District Collector works to the tune of Rs 1 crore per year (Rs 2 crore from 1998-99) to be taken up in his/her constituency.

Review of connected records relating to the implementation of the scheme in 23 constituencies during 1997-2000 revealed that some sanctioned works had not been taken up due to delay in selection of sites and contractors, resulting in huge unutilised funds. Some works not eligible to be covered under the *scheme had been executed. Utilisation Certificates were not submitted by implementing agencies for completed works.*

- The unutilised closing balance was heavy due to belated receipt of funds from Government of India and not taking up of works sanctioned due to delay in finalisation of sites and contractors.

- Contrary to the guidelines of Government of India, Rs 7.25 crore of the scheme funds were kept in Post office Savings Bank account. Rupees 11.92 crore of scheme funds were deposited by 75 implementing agencies in non-interest bearing Local Fund accounts of Town Panchayats, current accounts in Banks and Government Public Account under Civil deposits and consequently no interest was earned on these deposits.

- Utilisation Certificates for Rs 45.32 crore were not furnished by the implementing agencies for 1956 works taken up and completed.

(Paragraph 6.30)

11 Blocking of funds

(i) Failure of the Tamil Nadu Housing Board to assess the demand for the houses before commencement of construction and wrong selection of sites resulted in non-allotment of 1206 out of 2120 houses constructed under "Small and Medium Town Scheme" and in blocking of Board's funds to the tune of Rs 17.01 crore.

(Paragraph 6.9)

(ii) Lack of monitoring the implementation of Tamil Nadu Rural Housing Scheme by the Registrar of Cooperative Societies (Housing) resulted in blocking of Government subsidy to the tune of Rs 15.29 crore with Tamil Nadu Cooperative Housing Federation for periods ranging from 2 to 8 years besides non-completion of housing schemes taken up since 1990-91.

(Paragraph 3.18)

12 Non-achievement of objectives

(i) Defective formulation of the scheme for the grant of kerosene/diesel subsidy to registered traditional fishermen without considering its practicability resulted in the non-implementation of the scheme and non-achievement of the envisaged objective besides blocking of Rs 3 crore for over 16 months.

(Paragraph 3.10)

(ii) The envisaged objective of supplying 26.6 lakh litres of water per day, under the "Water supply improvement scheme" to Colachel Municipality could not be achieved even after construction of two additional service reservoirs and laying of additional distribution system at a cost of Rs 1.74 crore, due to the failure of Colachel Municipality to re-appraise the water supply position and unchecked sand quarrying.

(Paragraph 6.22)

(iii) Failure of the Divisional Engineer, Tamil Nadu Agricultural Development Project, Madurai in acquiring a small piece of land before starting the construction of the approach road to the bridge constructed in lieu of the existing causeway to facilitate movement of agricultural products to the nearest market centre resulted in non-utilisation of the bridge constructed at a cost of Rs 71.65 lakh.

(Paragraph 4.3)

(iv) Non-finalisation of correct alignment for a road work connecting six villages in Nagapattinam district and non-construction of bridges rendered the road constructed at a cost of Rs 36.24 lakh unconnected and the objective of providing better transport facilities to the market centres was not achieved besides blocking of Rs 51.64 lakh on purchase of material.

(Paragraph 4.1)

13 Unintended benefit

Tamil Nadu Housing Board deposited Rs 90 lakh with a private agency for providing water supply, in order to avail a World Bank loan, resulting in an unintended benefit of Rs 13.50 lakh by way of interest earned by the agency.

(Paragraph 6.11)

14 Avoidable/unfruitful expenditure

(i) Municipal Corporation of Chennai, failed to execute an agreement in advance with traders regarding allotment of shops in the Lily Pond Complex before taking up the construction which was completed in July 1992. As a result, all the 859 shops constructed at a cost of Rs 7.19 crore remained unoccupied, and the loss of revenue foregone by the Corporation was Rs 8.89 crore.

(Paragraph 6.25)

(ii) Flawed decision of Government to have an Armed Reserve Complex with 100 quarters at a place far away from Tuticorin resulted in an unfruitful expenditure of Rs 3.82 crore incurred on construction of the premises.

(Paragraph 3.17)

(iii) Improper selection of site by Chennai Metropolitan Development Authority involving huge extent of wet lands for Land Assembly and

Development scheme resulted in acquisition of only 8.59 hectares as of April 2000, out of the envisaged 69.64 hectares. Thus, the scheme had not taken off even after 9 years since Government approval and the expenditure of Rs 2.04 crore under the scheme including Rs 1.51 crore on establishment became unfruitful.

(Paragraph 6.8)

(iv) Injudicious decision of Government in Public Works Department in rejecting the lowest tender of a firm recommended by the Chief Engineer and subsequent acceptance of a higher tender of another firm which had the same persons as major partners resulted in extra financial commitment of Rs 1 crore.

(Paragraph 4.5)

(v) Chennai Metropolitan Water Supply and Sewerage Board took up two works, construction of Mylapore-Nandanam water distribution station and laying of transmission main to the station during 1997-99. Even though the excavated earth from transmission main work was available, the low-lying area of the distribution station site was filled up with borrowed earth resulting in an avoidable expenditure of Rs 33.58 lakh.

(Paragraph 6.17)

15 Extra expenditure/over-payment

(i) Injudicious decision of the Registrar of Cooperative societies in ousting the candidates who had passed special qualifying examination conducted by Tamil Nadu Public Service Commission resulted in litigation and subsequent payment of backwages to the tune of Rs 1.68 crore.

(Paragraph 3.13)

(ii) The decision of Chennai Metropolitan Water Supply and Sewerage Board to purchase Cast Iron Pipes from firms located outside the State resulted in payment of additional freight charges of Rs 65.63 lakh.

(Paragraph 6.16)

(iii) Failure of the Director General of Police in obtaining financial sanction from Government and in ensuring timely provision of funds resulted in extra expenditure of Rs 44.45 lakh towards purchase of arms and ammunitions from Ordinance Factory, Tiruchirappalli.

(Paragraph 5.1)

16 Deferred revenue relating to autonomous body

Absence of a proper system in the Corporation of Chennai for inspection of the advertisements made in the hoardings erected in Railway properties resulted in non-levy of Rs 47.22 lakh towards advertisement tax during 1994-2000.

(Paragraph 6.26)

17 Loss

(i) Tamil Nadu Slum Clearance Board constructed 456 slum tenements at a cost of Rs 2.71 crore and 132 Middle Income Group flats at a cost of Rs 2.21 crore under Urban Renewal Projects which envisaged the construction of a mixture of tenements for weaker sections, Middle Income Group and High Income Group in order to compensate the loss incurred on the construction of slum tenements. While allotting the slum tenements on hire purchase basis, the Board incurred a loss of Rs 3.61 crore. Due to poor demand for Middle Income Group Flats on account of high price fixed by the Board, the entire loss had to be met from the Board's own funds.

(Paragraph 6.12)

(ii) Chennai Metropolitan Water Supply and Sewerage Board deposited Rs 9.24 crore with Public Works Department even before the preparation of detailed estimates for the work of design and construction of the Intake Tower at Chembarambakkam tank, resulting in a loss of Rs 67.13 lakh to the Board by way of interest.

(Paragraph 6.15)

(iii) Tamil Nadu Urban Finance and Infrastructure Development Corporation nominated for the collection of outstanding loans given to Municipalities/Township Committees, etc., retained Rs 7.60 crore collected from Municipalities, without remitting the same to Government account. The unauthorised retention resulted in a loss of Rs 56.68 lakh to Government by way of interest.

(Paragraph 6.13)

18 Other points of interest

(i) Government of Tamil Nadu fixed the State Advised Price for sugarcane payable by the Cooperative and Public Sector sugar mills to the sugarcane growers on non-economic considerations which resulted in the sugar mills running into huge losses and the Government had to extend an indirect subsidy of Rs 237.68 crore to 19 sugar mills during 1997-2000 for payment of dues to the cane growers.

(Paragraph 3.7)

(ii) Failure of the Corporation of Chennai to enumerate comprehensively the dealers registered under Tamil Nadu General Sales Tax Act, 1959 and the holders of permits for transport vehicles for levying professional tax resulted in a loss of revenue of Rs 19.71 crore during the period 1992-1998.

(Paragraph 6.24)

(iii) Two Water Supply schemes in Tirupathur and Maravamangalam, which were not economically viable, were sanctioned by the Secretary, Public Works Department without the concurrence of Finance Department and without adequate budget provisions. Expenditure of Rs 8.84 crore was incurred on these works.

(Paragraph 4.4)

(iv) Tamil Nadu Housing Board fixed the sale price of shops at rates much higher than the market rate, resulting in the non-allotment of 39 shops and consequent non-realisation of revenue of Rs 7 crore.

(Paragraph 6.10)

(v) Chennai Metropolitan Water Supply and Sewerage Board entrusted collection of water charges to the Canara Bank at a high cost of collection of Rs 2.07 crore for collecting revenue of only Rs 4.17 crore during 1996-2000.

(Paragraph 6.14)

(vi) Assessment of the revised property tax, due to the general revision of the tax from October 1998, was entrusted to an external agency which was in charge of developing application software, capturing of data from the returns of the assessees and computation of the revised property tax and printing the tax notices. A test-check revealed that the system lacked data security and the deficiencies like the erroneous application programme, deficient data base, accepting the declaration of the assessee without an independent counter check, implementation of the developed application programme without a proper acceptance test and non-availability of a provision for validation of the final output of the system, led to under-assessment to the tune of Rs 3.18 crore for three half-years ending 31 March 2000 in respect of samples test-checked.

(Paragraph 6.23)

(vii) Under the Personalised Official Conveyance Scheme, officers were given a loan of Rs 2.50 lakh for the purchase of new car for commuting between residence and office; only 10 *per cent* was to be recovered and the rest 90 *per cent* was to be adjusted towards depreciation. Allowing depreciation on the car owned by the officer was not justified.

(Paragraph 3.15)

CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the Chapter also contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are explained in the Appendix I.

1.2 Financial position of the State

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. Exhibit I gives an abstract of such liabilities and assets as on 31 March 2000, compared with the corresponding position on 31 March 1999. While the liabilities in this statement consist mainly of external and internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from Exhibit I that while the liabilities grew by 22.7 *per cent*, the assets grew by only 7.8 *per cent* during 1999-2000, mainly as a result of a very high (38.9 *per cent*) increase in deficit. There was overall deterioration in the financial condition.

1.3 Sources and applications of funds

1.3.1 Exhibit III gives the position of sources and applications of funds during the current and the preceding year. The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and on lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of fund for the State Government, but their relative share went up marginally from 73.7 *per cent* in 1998-99 to 74 *per cent* during 1999-2000. The share of recoveries of loans and advances went down from 1.7 *per cent* to 1.4 *per cent*. As a result, the Government had to meet its requirement through increased borrowings (the share of public debt went up from 11.2 to 14.1 *per cent*), receipts from Public Account (their share went up from 8.2 *per cent* to 10.6 *per cent*, mainly because of increase in deposits and advances).

1.3.2 The funds were mainly applied for revenue expenditure, whose share not only went up from 91.4 *per cent* to 93.9 *per cent*, but also remained significantly higher than the share of the revenue receipts (74 *per cent*) in the total receipts of the State Government. This led to the revenue deficit. The increase in the revenue expenditure and the consequent revenue deficit was attributable partly to the increase in payments of pension and other retirement benefits. While the percentage of capital expenditure went down from 6 *per cent* to 2.9 *per cent*, lending for development purposes went up from 2.6 *per cent* to 3 *per cent*.

EXHIBIT I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF TAMIL NADU AS ON 31 MARCH 2000

(Rupees in crore)

As on 31.03.1999	Liabilities		As on 31.03.2000
5035.90	Internal Debt (excluding overdrafts) -		6505.83
4168.52	Market Loans bearing interest	4768.73	
6.58	Market Loans not bearing interest	14.34	
221.57	Loans from Life Insurance Corporation of India	247.91	
639.23	Loans from other Institutions	1161.14	
..	Ways and Means Advances	313.71	
..	Overdrafts from Reserve Bank of India		98.13
10845.66	Loans and Advances from Central Government -		12385.26
197.63	Pre 1984-85 Loans	146.05	
4234.35	Non-Plan Loans	5142.45	
6300.65	Loans for State Plan Schemes	6981.71	
34.34	Loans for Central Plan Schemes	33.62	
78.69	Loans for Centrally Sponsored Plan Schemes	81.43	
150.00	Contingency Fund		150.00
3700.34	Small Savings, Provident Funds, etc.		4848.74
2293.74	Deposits		3422.05
1220.87	Reserve Funds		1204.25
..	Advances		..
168.57	Remittance Balances		118.55
23415.08			**28732.81**
As on 31.03.1999	**Assets**		**As on 31.03.2000**
8603.74	Gross Capital Outlay on Fixed Assets -		9248.67
1560.98	Investments in shares of Companies, Corporations, etc.	2724.44	
7042.76	Other Capital Outlay	6524.23	
3694.66	Loans and Advances -		4031.75
488.46	Loans for Power Projects	413.16	
2835.59	Other Development Loans	3192.04	
370.61	Loans to Government servants and Miscellaneous loans	426.55	
38.40	Reserve Fund Investments		34.33
7.05	Advances		8.31
(-) 172.49	Suspense and Miscellaneous Balances		(-) 254.29
26.87	Cash -		84.43
(-) 20.55	Cash in Treasuries and Local Remittances	(-)28.82	
(-) 35.40	Deposits with Reserve Bank	107.18	
1.22	Departmental Cash Balance	2.12	
5.62	Permanent Advances	5.63	
75.98	Cash Balance Investments	(-)1.68	
11216.85	Deficit on Government Account -		15579.61
3436.57	(i) Revenue Deficit of the current year	4400.30	
(-) 41.63	(ii) Miscellaneous Deficit	(-) 37.54	
7821.91	Accumulated deficit up to 31 March 1999	11216.85	
23415.08			**28732.81**

EXHIBIT II
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 1999-2000

(Rupees in crore)

		Receipts					Disbursements				
1998-99				**1999-2000**	**1998.99**			**Non-Plan**	**Plan**	**Total**	**1999-2000**
		Section-A: Revenue									
14260.83	I	Revenue receipts		16327.53		I	Revenue expenditure-				20727.83
9625.30		-Tax revenue	10918.93		5879.78		General services	7732.80	10.32	7743.12	
					7101.34		Social Services-	6415.93	1227.90	7643.83	
1156.70		-Non-tax revenue	1356.85		3853.03		-Education, Sports, Art and Culture	4137.91	210.81	4348.72	
					1099.78		-Health and Family Welfare	858.32	283.16	1141.48	
2408.98		-State's share of Union Taxes	2667.00		461.81		-Water Supply, Sanitation, Housing and Urban Development	116.37	296.99	413.36	
					18.80		-Information and Broadcasting	15.70	0.90	16.60	
162.25		-Non-Plan grants	218.52		449.16		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	254.84	215.37	470.21	
394.27		-Grants for State Plan Scheme	598.06		91.88		-Labour and labour Welfare	102.12	2.67	104.79	
					1081.23		-Social Welfare and Nutrition	916.01	217.64	1133.65	
513.33		-Grants for Central and Centrally sponsored Plan Schemes	568.17		45.65		-Others	14.66	0.36	15.02	
					3681.30		Economic Services-	3308.48	1007.33	4315.81	
					1451.39		-Agriculture and Allied Activities	1666.29	344.46	2010.75	
					566.61		-Rural Development	133.83	422.92	556.75	
					16.62		-Special Areas Programmes	0.28	14.42	14.70	
					395.49		-Irrigation and Flood control	300.37	94.56	394.93	
					1.18		-Energy	0.52	1.83	2.35	
					302.52		-Industry and Minerals	109.59	84.92	194.51	
					339.00		-Transport	305.35	20.72	326.07	
					7.11		-Science, Technology and Environment	-	5.59	5.59	
					601.38		-General Economic Services	792.25	17.91	810.16	
					1034.98		Grants-in-aid and Contributions-	929.62	95.45	1025.07	
					17697.40		Total	18386.83	2341.00	20727.83	
3436.57	II	Revenue deficit carried over to Section B		4400.30		II	Revenue Surplus carried over to Section B				..
17697.40		**Total**		**20727.83**	**17697.40**		**Total** .				**20727.83**
		Section-B : Others									
1054.50	III	Opening Cash balance including Permanent Advances and Cash Balance Investment		26.87	..	III	Opening Overdraft from Reserve Bank of India				..
..	IV	Miscellaneous Capital receipts		..	1153.32	IV	Capital Outlay-				644.93
					113.99		General Services-	30.64	125.32	155.96	
					228.00		Social Services-	2.90	267.41	270.31	
					72.43		-Education, Sports, Art and Culture	0.42	61.68	62.10	
					66.94		-Health and Family Welfare	0.12	67.41	67.53	
					33.96		-Water Supply, Sanitation, Housing and Urban Development	(a)	100.88	100.88	
					7.38		-Information and Broadcasting	2.27	(b)	2.27	
					38.57		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	..	33.76	33.76	

(a) Rs 40,588 only; (b) Rs 7,318 only

EXHIBIT II – (concld.)

(Rupees in crore)

1998-99				1999-2000	1998-99			Non-plan	Plan	Total	1999-2000
		Section-B: Others (concld)									
					2.47		-Social Welfare and Nutrition	..	1.29	1.29	
					6.25		-Others	0.09	2.39	2.48	
					811.33		Economic Services-	(-) 835.80	1054.46	218.66	
					163.81		-Agriculture and Allied Activities	(-) 3.74	109.09	105.35	
					0.26		-Rural Development	(c)	0.50	0.50	
					11.22		-Special Areas Programmes	..	14.42	14.42	
					226.03		-Irrigation and Flood Control	(d)	361.20	361.20	
					-57.55		-Energy	(-) 826.05 (e)	100.00	(-)726.05	
					20.37		-Industry and Minerals	0.08	0.98	1.06	
					440.54		-Transport	(-) 6.09	466.20	460.11	
					6.65		-General Economic Services	(f)	2.07	2.07	
					1153.32		Total	(-) 802.26	1447.19	644.93	
322.98	V	Recoveries of Loans and Advances-		314.08	510.20	V	Loans and Advances disbursed-				651.17
58.34		-From Power Projects	75.30		0.53		-For Power Projects			-	
83.29		-From Government Servants	93.23		110.18		-To Government Servants			149.25	
181.35		-From Others	145.55		399.49		-To Others			501.92	
					3436.57	VI	Revenue deficit brought down				4400.30
2678.39	VI	Public debt receipts-		3710.53	518.75	VII	Repayment of Public debt-				602.87
(-) 2.24		-External debt	..		..		-External debt			..	
1046.33		-Internal debt other than Ways and Means Advances and Overdraft	1287.98		109.55		-Internal debt other than Ways and Means Advances and Overdraft			131.76	
..		- Net transactions under Ways and Means Advances and Overdraft	411.84(g)								
1634.30		-Loans and Advances from Central Government	2010.71		..		- Net transactions under Ways and Means Advances and overdraft			..	
					409.20		-Repayment of Loans and Advances to Central Government			471.11	
..	VII	Appropriation to Contingency Fund		..	..	VIII	Appropriation to Contingency Fund				..
..	VIII	Amount transferred to Contingency Fund		..	..	IX	Expenditure from Contingency Fund				..
15791.17	IX	Public Account receipts-		19545.00	14201.33	X	Public Account disbursements-				17212.78
2422.89		-Small Savings and Provident Funds	2690.85		1285.27		-Small Savings and Provident Funds			1542.45	
132.24		-Reserve Funds	168.62								
4207.86		-Suspense and Miscellaneous	5004.56								
4065.26		-Remittance	4978.97		142.99		-Reserve Funds			181.17	
4962.92		-Deposits and Advances	6702.00		4174.81		-Suspense and Miscellaneous			4885.21	
					4027.29		-Remittances			5028.99	
					4570.97		-Deposits and Advances			5574.96	
..	X	Closing Overdraft from Reserve Bank of India		..	26.87	XI	Cash Balance at end-				84.43
					(-) 20.55		-Cash in Treasuries and Local Remittances		(-) 28.82		
					(-) 35.40		-Deposits with Reserve Bank		107.18		
					6.84		-Departmental Cash Balance including permanent Advances		7.75		
					75.98		-Cash Balance Investment		(-) 1.68		
19847.04		**Total**		**23596.48**	**19847.04**		**Total**				**23596.48**

(c) Rs (-) 500 only; (d) Rs 4,660 only (e) minus expenditure is due to adjustment of share capital in Tamil Nadu Electricity Board to arrears of tariff compensation due to the Board (f) Rs 3000 only and (g) Represents receipts: Rs 5247.12 crore and disbursements: Rs 4835.28 crore.

EXHIBIT III

SOURCES AND APPLICATIONS OF FUNDS

(Rupees in crore)

1998-99		Sources	1999-2000
14260.83	1.	Revenue receipts	16327.53
322.98	2.	Recoveries of Loans and Advances	314.08
2159.64	3.	Increase in Public debt other than overdraft	3009.53
	4.	Increase in overdraft	98.13
	5.	Net receipts from Public Account:	
1137.62		Increase in Small Savings and Provident Fund	1148.40
391.95		Increase in Deposits and Advances	1127.04
(-)10.75		Increase in Reserve Funds	(-)12.55
33.05		Net effect of suspense and Miscellaneous transactions	119.35
37.97		Net effect of Remittance transactions	(-)50.02
	6.	Net effect of Contingency Fund transactions	..
1027.63	7.	Decrease in closing cash balance	..
19360.92		**Total**	**22081.49**
1998-99		**Applications**	**1999-2000**
17697.40	1.	Revenue expenditure	20727.83
510.20	2.	Lending for development and other purposes	651.17
1153.32	3.	Capital expenditure	644.93
..	4.	Increase in closing cash balance	57.56
19360.92		**Total**	**22081.49**

Explanatory Notes for Exhibits I, II and III:

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Exhibit I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlements etc.
4. There was a difference of Rs 9860.30 lakh (net debit) between the figures reflected in the Accounts and that intimated by the Reserve Bank of India under "Deposits with Reserve Bank". A net difference of Rs 6.59 lakh (net credit) had been reconciled (April 2000).
5. Figures of investments in shares of Companies, Corporations etc., are as per particulars furnished by the companies/departments. Huge difference from previous year's figures is mainly due to inclusion of equity share capital of Rs 1045.48 crore in Tamil Nadu Electricity Board not reported in earlier years.
6. Huge decrease under Capital Outlay during the year is due to adjustment of arrears of tariff compensation of Rs 826.05 crore to Tamil Nadu Electricity Board for supply of electricity at concessional rates to agriculturists against the share capital in Tamil Nadu Electricity Board.

EXHIBIT IV

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Part A. Receipts					
1. Revenue Receipts	**10599 (46)**	**11961 (45)**	**13587 (45)**	**14261 (43)**	**16328 (41)**
(i) Tax Revenue	**7151 (68)**	**7983 (67)**	**8686 (64)**	**9625 (67)**	**10919 (67)**
Taxes on Agricultural Income	20	14	39	39	18
Taxes on Sales, Trade, etc	4689	5341	5604	6113	7024
State Excise	935	1063	1300	1710	1834
Taxes on vehicles	392	425	470	518	578
Stamps and Registration fees	613	591	632	673	818
Land Revenue	25	19	60	28	47
Other Taxes	477	530	581	544	600
(ii) Non Tax Revenue	**858**	**885**	**1122**	**1157**	**1357**
(iii) State's share of Union taxes and duties	**1806**	**2166**	**2728**	**2409**	**2667**
(iv) Grants in aid from Government of India	**784**	**927**	**1051**	**1070**	**1385**
2 . Miscellaneous Capital Receipts	..	..	..	..	..
3. Total Revenue and Non debt capital receipts (1+2)	10599	11961	13587	14261	16328
4. Recoveries of Loans and Advances	406	659	1217	323	314
5. Public Debt Receipts	1462 (6)	1778 (7)	2133 (7)	2678 (8)	3711 (9)
Internal Debt (excluding Ways and Means Advances and Overdrafts)	474	471	698	1044	1288
Net transactions under Ways and Means Advances and Overdrafts	..	..	..	..	412
Loans and Advances from Government of India[$]	988	1307	1435	1634	2011
6. Total Receipts in the Consolidated Fund (3+4+5)	12467	14398	16937	17262	20353
7. Contingency Fund Receipts	7	*	5	..	..
8. Public Account Receipts	10491	12388	13062	15791	19545
9. Total Receipts of the State (6+7+8)	**22965**	**26786**	**30004**	**33053**	**39898**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**10911 (95)**	**13065 (93)**	**14951 (91)**	**17698 (94)**	**20728 (97)**
Plan	1914	2297	2131	2431	2341
Non Plan	8997	10768	12820	15267	18387
General Services (including interest payments)	3408	4096	4672	5880	7743
Social Services	4333	5121	5614	7101	7644
Economic Services	2957	3516	3835	3682	4316
Grants-in-aid and contributions	213	332	830	1035	1025
11. Capital Expenditure	**591 (5)**	**920 (7)**	**1468 (9)**	**1153 (6)**	**645 (3)**
Plan	587	781	883	1199	1447
Non Plan	4	139	585	(-) 46	(-) 802[#]
General Services	33	30	55	114	156
Social Services	229	208	247	228	270
Economic Services	329	682	1166	811	219
12. Disbursement of Loans and Advances	**760**	**1080**	**507**	**510**	**651**
13. Total (10+11+12)	**12262**	**15065**	**16926**	**19361**	**22024**
14. Repayments of Public Debt	**269 (1)**	**338 (1)**	**408 (1)**	**519 (2)**	**603 (2)**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	**20**	**24**	**61**	**110**	**132**
Net transactions under Ways and Means Advances and Overdraft	..	..	..	..	..
Loans and Advances from Government of India[$]	**249**	**314**	**347**	**409**	**471**
15. Appropriation to Contingency Fund	..	..	..	..	..
16. Total disbursement out of Consolidated Fund (13+14+15)	**12531**	**15403**	**17334**	**19880**	**22627**
17. Contingency Fund disbursements	*	**5**	..	..	..
18. Public Account disbursements	**10036**	**11393**	**12529**	**14201**	**17213**
19. Total disbursement by the State (16+17+18)	**22567**	**26801**	**29863**	**34081**	**39840**
Part C. Deficits					
20. Revenue Deficit (1-10)	**311**	**1104**	**1364**	**3437**	**4400**
21. Fiscal Deficit (3+4-13)	1256	2445	2122	4777	5382
22. Primary Deficit (21-23)	(-) 37	969	358	2655	2671
Part D. Other data					
23. Interest Payments (included in revenue expenditure))	1293	1476	1763	2122	2711
24. Arrears of Revenue (Percentage of Tax and non-tax Revenue Receipts)	2401(30)	3471(39)	4382(45)	6325(59)	8664(71)
25. Financial Assistance to local bodies etc.,	1183	2279	2037	3767	4221
26. Ways and Means Advances/Overdraft availed (days)					
Ways and Means Advances availed (days)	57(2)	..	..	742(38)	3761(202)
Overdraft availed (days)	..	..	..	..	1486(55)
27 Interest on Ways and Means Advances/Overdraft	0.08	..	..	@	8
28. Gross State Domestic Product (GSDP)	78767	91914	104683	117044	128646
29 Outstanding debt (year end)	10555	11995	13720	15882	18989
30. Outstanding guarantees (year end)	3559	4339	4472	615[illegible]	5654
31. Maximum amount guaranteed (year end)	7135	7881	8398	11559	10223
32. Number of incomplete projects	$	6	21	[illegible]7	16
33. Capital blocked in incomplete projects	$	101	116	215	215

Figures in bracket represent percentages (rounded) to total of each sub-heading

$ Includes Ways and Means Advances from Government of India; * Rs 0.32 crore only;

 # minus figure is mainly due to conversion of equity in Tamil Nadu Electricity Board to tariff compensation;

@ not debited to account during 1998-99; $ compiled only from 1996-97 onwards

1.4 Financial operations of the State Government

1.4.1 Exhibit II gives the details of the receipts and disbursements made by the State Government. The revenue expenditure (Rs 20728 crore) during the year exceeded the revenue receipts (Rs 16328 crore) resulting in a revenue deficit of Rs 4400 crore. The revenue receipts comprised tax revenue (Rs 10919 crore), non-tax revenue (Rs 1357 crore), State's share of Union taxes and duties (Rs 2667 crore) and grants-in-aid from the Central Government (Rs 1385 crore). The main sources of tax revenue were sales tax (64 *per cent*), state excise (17 *per cent*) and stamps and registration fees (8 *per cent*). Non-tax revenue came mainly from interest receipts (26 *per cent*) and economic services (34 *per cent*).

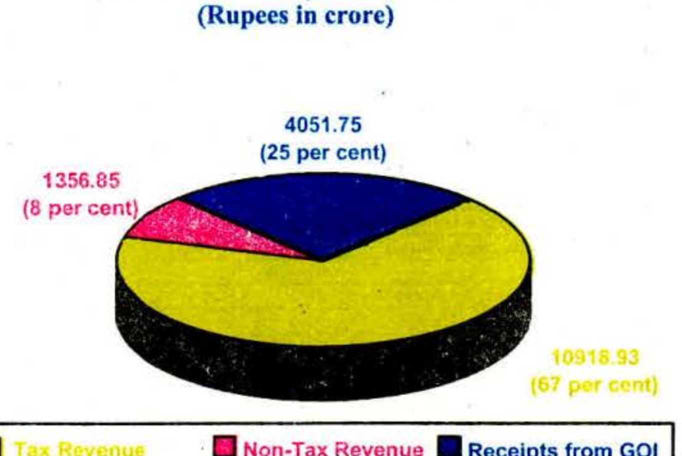
1.4.2 The capital receipts comprised Rs 314 crore from recoveries of loans and advances and Rs 3711 crore from public debt. Against this, the expenditure was Rs 645 crore on capital outlay, Rs 651 crore on disbursement of loans and advances and Rs 603 crore on repayment of public debt. The receipts in the Public Account amounted to Rs 19545 crore, against which disbursements of Rs 17213 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase in the cash balance from Rs 27 crore at the beginning of the year to Rs 84 crore at the end of the year.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in Exhibit II and the time series data for the five year period from 1995-96 to 1999-2000, presented in Exhibit IV.

1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares during 1999-2000 are shown in Figure 1. The revenue receipts had grown at an average annual rate of 14 *per cent* during 1995-96 to 1999-2000, except during 1998-99 during which the growth was only 5 *per cent*. The receipts from GOI by way of grants and State's share of Union taxes formed 25 *per cent* of the total revenue receipts.

Figure 1
Revenue Receipts for 1999-2000
(Rupees in crore)



1.5.2 Tax revenue

This constituted the major share (67 *per cent*) of the revenue receipts. Exhibit IV shows that the relative contribution of sales tax has come down from 67 *per cent* in 1996-97 to 64 *per cent* of tax revenue in 1999-2000, while that of excise duty, which had gone up considerably from 13 *per cent* to 18 *per cent* over the period 1995-99, has come down to 17 *per cent* during 1999-2000. The taxes on vehicles which constituted 6 *per cent* of total tax revenue collection during 1995-96 and 1996-97 declined to 5 *per cent* during subsequent years. The percentage of registration fees to total tax revenue ranged between 7 to 9 during 1995-96 to 1999-2000.

1.5.3 Non-tax revenue

The non-tax revenue constituted 8 *per cent* of the revenue receipts of the Government during 1995-96 to 1999-2000 (except during 1996-97). The growth rate registered in 1999-2000 was 17 *per cent*.

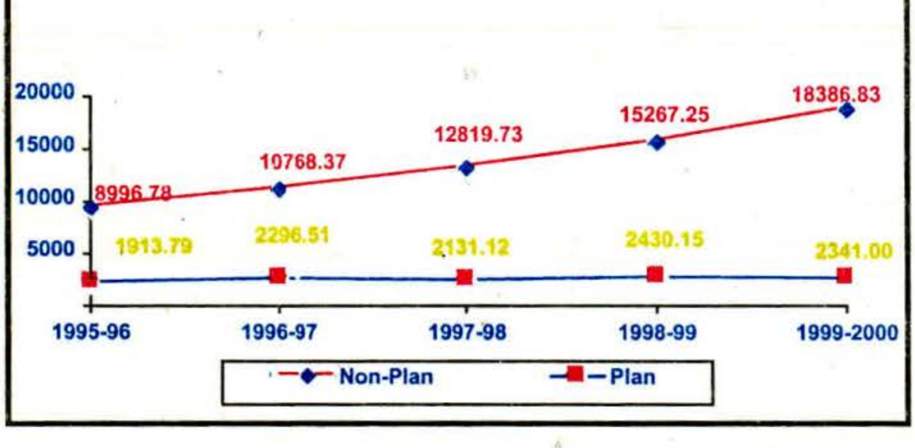
1.5.4 State's share of Union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes (excise duties and income and corporation taxes) increased by 11 *per cent* during the year, and the grants in aid from the Central Government also increased significantly by 29 *per cent*. However, as a percentage of revenue receipts, they (both taken together) declined from 28 *per cent* in 1997-98 to 25 *per cent* during 1999-2000.

1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for most (97 *per cent*) of the expenditure of the State Government and increased by 17 *per cent* during 1999-2000. A comparison shows that the growth in Non-Plan component of revenue expenditure over the five year period (104 *per cent*) far surpassed that in Plan expenditure (22 *per cent*), as can be seen in Figure 2.

Figure 2
Growth of Plan and Non-Plan revenue expenditure
(Rupees in crore)



2-24—7a

1.6.2 Sector wise analysis shows that while the expenditure on General Services increased by 127 *per cent*, from Rs 3408 crore in 1995-96 to Rs 7743 crore in 1999-2000, the corresponding increases in expenditure on Social Services and Economic Services were only 76 and 46 *per cent* respectively. As a proportion of total revenue expenditure, the share of General Services increased from 31 *per cent* in 1995-96 to 37 *per cent* in 1999-2000, whereas the share of Social Services decreased from 40 *per cent* to 37 *per cent* and that of Economic Services decreased from 27 *per cent* to 21 *per cent*.

1.6.3 Interest payments

Interest payments increased steadily by 110 *per cent* from Rs 1293 crore in 1995-96 to Rs 2711 crore in 1999-2000. Interest payments accounted for 13 *per cent* of revenue expenditure, as compared to 12 *per cent* in 1995-96. This is further discussed in the section on financial indicators.

1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to different local bodies etc., during the period of five years ending 1999-2000 was as follows:

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Universities and Educational Institutions	794	40	960	1527	1531
Municipal Corporations and Municipalities	1	106	159	217	112
Zilla Parishads and Panchayati Raj Institutions	191	928	197	1402	1430
Development agencies	40	67	364	210	474
Hospitals and Other Charitable Institutions	1	3	4	9	12
Other institutions	156	1135	353	402	662
Total	**1183**	**2279**[Ψ]	**2037**	**3767**	**4221**
Percentage of growth over previous year	19	93	(-) 11	85	12
Assistance as a percentage of revenue expenditure	11	17	14	21	20

It may be seen that while there was no appreciable increase in the assistance to Panchayati Raj Institutions, the assistance to Municipal Corporations etc., actually went down in 1999-2000.

1.6.5 Loans and advances disbursed by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, cooperatives, non-Government

Ψ Figures reported since 1996-97 include loan assistance also.

institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that the repayments went down during 1999-2000 as a result of which the outstanding loans and advances increased by 9 *per cent* during the year.

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Opening balance	3442	3796	4217	3507	3694
Amount advanced during the year	760	1080	507	510	651
Amount repaid during the year	406	659	1217	323	314
Closing balance	3796	4217	3507	3694	4031
Net addition	354	421	(-)710	187	337
Interest received	153	163	345	223	178

Out of loans advanced to municipalities, panchayat union councils, town panchayats and village panchayats, the detailed accounts of which were kept by the Principal Accountant General (Accounts and Entitlements) and in the office of Commissioner of Municipal Administration, recovery of Rs 149.51 crore (principal: Rs 138.27 crore and interest: Rs 11.24 crore) was in arrears as on 31 March 2000. Details in respect of loans, the detailed accounts of which were maintained by the departmental officers, had not been furnished to the Principal Accountant General (Accounts and Entitlements) by 68 heads of departments.

1.7 Capital expenditure

Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e. public sector undertakings (PSUs), corporations, *etc.* and loans and advances. The capital expenditure after showing a growth of 56 *per cent* and 59 *per cent* during 1996-97 and 1997-98 respectively, decreased by 21 *per cent* during 1998-99 and by 44 *per cent* during 1999-2000. As a result, its share in total expenditure has declined from 9 *per cent* in 1997-98 to 3 *per cent* in 1999-2000. Though capital expenditure under plan increased, that under Non-plan declined substantially. The decrease in the capital expenditure in 1999-2000 was mainly due to reduction of investment in Tamil Nadu Electricity Board by Rs 826.05 crore and its adjustment towards tariff compensation to the Board for supply of free electricity to farmers. This book adjustment did not help the Tamil Nadu Electricity Board, since the tariff compensation has not reached the Tamil Nadu Electricity Board in cash. Exhibit IV shows that most of the capital expenditure has been on economic and social services.

1.8 Quality of expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and Non-plan and Revenue and Capital. While the plan and capital expenditure are usually associated with asset creation, the non-plan and revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the plan and capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversions of funds and funds blocked in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year, it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators:

	1995-96	1996-97	1997-98	1998-99	1999-2000
1. Plan expenditure as a percentage of:					
- Revenue expenditure	18	18	14	14	11
- Capital expenditure	99	85	60	104*	224*
2. Capital expenditure as a percentage of total expenditure**	5	7	9	6	3
3. Expenditure on General services (*per cent*)					
- Revenue	31	31	31	33	37
- Capital	6	3	4	10	24
4. Amount of wastages and diversion of funds detected during test audit (Rupees in crore)	105	200	353	1767	599
5. Non-remunerative expenditure on incomplete projects (Rupees in crore)	@	101	116	215	215
6. Unspent balances under deposit heads, booked as expenditure at the time of their transfer to the deposit head (Rupees in crore)	598	601	495	652	764

* **Exceeded 100 *per cent* due to exhibition of minus expenditure under Non-plan.**

** **Total expenditure represents total of Revenue and Capital expenditure.**

@ **Compiled only from 1996-97 onwards.**

The share of plan expenditure on the capital side declined upto 1997-98 and then went up during 1998-99 and 1999-2000. The share of capital expenditure to total expenditure (Revenue and Capital), however, has gone up till 1997-98 and then went down during 1998-99 and 1999-2000. The share of General Services, at the same time, has increased on the revenue side from 31 to 37 *per cent* and on the capital side, it has increased from 6 *per cent* in 1995-1996 to 24 *per cent* in 1999-2000.

1.9 Financial Management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal with these issues especially as they relate to the expenditure management in the Government, based on the findings of the test-audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government are discussed in this section.

1.9.1 Investments and returns

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

	Sector	Number of concerns	Amount invested	
			as on 31.3.2000	During 1999-2000
			(Rupees in crore)	
(1)	Statutory Corporations	2	1049.28	..
(2)	Government Companies	76	1369.56	117.34
(3)	Joint Stock Companies	6	2.53	..
(4)	Cooperative Institutions	9403	303.07	4.77
	Total	**9487**	**2724.44**	**122.11**

The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

(Rupees in crore)

Year	Investment at the end of the year[(a)]	Return	Percentage of return	Rate of interest on Government borrowing from open market
1995-96	820.84	28.38	3.46	14.00
1996-97	1066.63	22.20	2.08	13.85 and 13.75
1997-98	1316.43	18.45	1.40	13.05 and 12.30
1998-99	1560.63[(b)]	24.29	1.56	12.50 and 12.15
1999-2000	2724.44[(c)]	41.95	1.54	12.25, 11.85 and 11.74

(a) The figures are as per particulars furnished by the companies/Departments.

(b) Differs from the figures furnished in the last year's Report due to adoption of revised figures communicated by the departments/companies.

(c) Huge difference from previous years figures is mainly due to inclusion of equity share capital of Rs 1045.48 crore in Tamil Nadu Electricity Board, not reported in earlier years.

Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies etc., fetched insignificant returns. As on 31 March 2000, 49 of the Government companies in which Government had invested Rs 901.58 crore were running under loss and the accumulated loss was Rs 1805.99 crore up to March 1999.

1.9.2 Financial results of irrigation works

The financial results of 5 major and 47 medium irrigation projects with a capital outlay of Rs 1801.32 crore at the end of March 1999 showed that revenue realised from these during 1998-99 (Rs 4.80 crore) was only 0.27 *per cent* of the capital outlay and these were not sufficient to cover even the direct working expenses (Rs 76.44 crore). After meeting the working expenditure (Rs 77.11 crore) and interest charges (Rs 73.74 crore), the schemes suffered a net loss of Rs 146.05 crore. The loss was substantial (Rs 111.58 crore) in all the major irrigation projects.

1.9.3 Incomplete projects

As of 31 March 2000, there were 16* projects in which Rs 214.54 crore were blocked. These projects were each of cost exceeding Rs 1 crore and were scheduled for completion before 31 March 2000 but were incomplete.

1.9.4 Arrears of revenue

The arrears of revenue pending collection increased by 37 *per cent* during the year. The outstanding arrears registered a secular increase during the preceding five years (Exhibit IV) and their percentage increased from 30 *per cent* of the revenue raised during 1995-96 to 71 *per cent* during 1999-2000. Of the arrears of Rs 8663.60 crore as of March 2000, Rs 1787.16 crore (21 *per cent*) were pending for more than five years. The arrears pertained mainly to Sales Tax (Rs 7244.17 crore), and 'Mines and Minerals' (Rs 1168.15 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

1.9.5 Ways and means advances and overdraft

Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs 1.10 crore upto 30 April 1999 and Rs 3.25 crore from 1 May 1999. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking ways and means advances (WMA)/overdraft (OD) from the Bank. In addition, special ways and means advances are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and hence reflects poorly on the financial management in Government.

The extent to which the Government maintained the minimum balance with the Bank during 1998-99 and 1999-2000 is given below:

---

* As per further information furnished by Department.

			1998-99	1999-2000
(i)	Number of days on which minimum balance was maintained			
	(a)	Without obtaining any advance	327	105
	(b)	By obtaining ordinary ways and means and advances	38	167
	(c)	By obtaining special ways and means advance	Nil	35
(ii)	Number of days on which minimum balance was not maintained even after availing ways and means advance to the full extent and no overdraft was obtained		Nil	4
(iii)	Number of days on which overdraft was taken		Nil	55

The position of ways and means advances and overdrafts taken by the State Government and interest paid thereon during 1998-99 and 1999-2000 is detailed below:

(Rupees in crore)

		1998-99	1999-2000
(A)	Ways and means advances		
(i)	Advances taken during the year (Gross)	742.34	3761.15
(ii)	Advances outstanding at the end of the year	Nil	313.71
(iii)	Interest paid	*	7.07[@]
(B)	Overdraft		
(i)	Overdraft taken during the year (Gross)	Nil	1485.97
(ii)	Overdraft outstanding at the end of the year	Nil	98.13
(iii)	Interest paid	Nil	0.52[β]

1.9.6 Deficit

1.9.6.1 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit *viz.*, Revenue Deficit, Fiscal Deficit and Primary Deficit.

1.9.6.2 The Revenue Deficit is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit is fiscal deficit less interest payments. Exhibit V gives a break-up of the deficit in Government account for 1999-2000.

* Interest was paid only during the first quarter of 1999-2000.

@ Includes interest for the last year (Rs 0.87 crore) and excludes interest for the last quarter of the year 1999-2000 which will be debited in April 2000.

β excludes interest for the last quarter of the year 1999-2000 which will be debited in April 2000.

EXHIBIT V

OVERALL FINANCIAL TRANSACTIONS OF GOVERNMENT

(Rupees in crore)

CONSOLIDATED FUND					
Receipt	**Amount**			**Disbursement**	**Amount**
Revenue	16328	**Revenue deficit: 4400**		Revenue	20728
Miscellaneous capital receipts	..			Capital	645
Recovery of loans and advances	314			Loans and advances disbursement	651
Sub Total	16642	**Gross fiscal deficit: 5382**		Sub Total	22024
Public debt receipts	3711			Public debt repayment	603
Total	**20353**	**A: Deficit in Consolidated Fund : 2274**			**22627**

PUBLIC ACCOUNT					
Receipt	**Amount**			**Disbursement**	**Amount**
Small savings, Provident Fund etc.	2691			Small savings, Provident Fund etc.	1543
Deposits and advances	6702			Deposits and advances	5575
Reserve funds	169			Reserve funds	181
Suspense and miscellaneous	5004			Suspense and miscellaneous	4885
Remittances	4979			Remittances	5029
Total Public Account	19545	**B: Deficit in Consolidated Fund financed by Public Account: 2332**			17213
Increase in cash balance (B-A) : 58					

The table shows that the Revenue Deficit of Rs 4400 crore was partly met by borrowings (Rs 3108 crore). The Fiscal Deficit of Rs 5382 crore was financed by net proceeds of the public debt (Rs 3108 crore) and surplus from Public Account (Rs 2332 crore). Exhibit IV shows that while the Revenue Deficit has shown an increasing trend during 1996-97 to 1999-2000, the Fiscal Deficit also showed an increasing trend during 1998-99 to 1999-2000.

As stated in paragraph 1.7, Government had shown payment of arrears of tariff compensation to Tamil Nadu Electricity Board (Rs 826.05 crore) and adjusted the same by reduction of its investment in Tamil Nadu Electricity Board. Had the tariff compensation been paid in cash to Tamil Nadu Electricity Board, the Gross fiscal deficit would have gone up by Rs 826.05 crore.

1.9.6.3 Application of the borrowed funds (Fiscal Deficit)

The fiscal deficit (FD) represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit (RD), for making the Capital Expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position in respect of the Government of Tamil Nadu for the last five years.

Ratio	1995-96	1996-97	1997-98	1998-99	1999-2000
RD/FD	0.25	0.45	0.64	0.72	0.82
CE/FD	0.47	0.38	0.69	0.24	0.12
Net loans/FD	0.28	0.17	(-) 0.33	0.04	0.06
Total	1.00	1.00	1.00	1.00	1.00

It would be seen that while more and more of the borrowed funds have been applied for meeting the revenue expenditure in the last five years, its application to capital expenditure declined sharply during the last two years. Therefore, if the revenue expenditure is not controlled, the capital formation will further suffer and borrowings will increase leading to increased debt burden.

1.9.7 Guarantees given by the State Government

Guarantees are 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 cooperative institutions etc., and payment of interest and dividend by them. They 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. Exhibit IV lists the amounts of outstanding guarantees at the end of each year during 1996-2000, which showed an increasing trend. While Rs 2.36 crore were received as guarantee commission during 1999-2000, Rs 4.60 crore of guarantee commission were outstanding for recovery from 6 Government companies (Rs 1.48 crore) and from Cooperative Sugar Mills (Rs 3.12 crore) as on 31 March 2000.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. During the five year period, the total liabilities of the Government had grown by 90 *per cent*. This was on account of 119 *per cent* growth in internal debt, 64 *per cent* growth in loans and advances from Government of India and 115 *per cent* growth in other liabilities. During 1999-2000, Government borrowed Rs 674.37 crore in the open market at interest rates of 11.74, 11.85 and 12.25 *per cent* per annum.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities[α]	Total liabilities	Ratio of debt to GSDP
1995-96	3015.02	7539.72	10554.74	4382.51	14937.25	0.19
1996-97	3462.24	8532.53	11994.77	5129.52	17124.29	0.19
1997-98	4099.12	9620.56	13719.68	5657.45	19377.13	0.19
1998-99	5035.90	10845.66	15881.56	7176.55	23058.11	0.20
1999-2000	6603.96	12385.26	18989.22	9440.71	28429.93	0.22

1.10.2 The amount of funds raised through Public debt, the amount of repayment and net funds available are given in the following table:

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Internal Debt					
- Receipt	531	471	698	1789	1700
- Repayment					
- (i) Principal	77	24	61	852	132
- (ii) Interest	315	375	449	548	704
- Net funds available (*per cent*)	139(26)	72(15)	188(27)	389(37)	864 (13)
Loans and advances from Government of India					
- Receipt during the year	988	1307	1435	1634	2011
- Repayment					
- (i) Principal	249	314	347	409	471
- (ii) Interest	788	895	1041	1189	1359
- Net funds available (*per cent*)	(-) 49	98(7)	47(3)	36(2)	181(9)
Other liabilities					
- Receipt during the year	5472	6351	6118	7433	9482
- Repayment					
- (i) Principal	5075	5605	5590	5914	7218
- (ii) Interest	191	205	273	385	648
- Net funds available (*per cent*)	206(4)	541(9)	255(4)	1134(15)	1616(17)

It would be seen that there was a substantial increase in Debt/GDP ratio indicating worsening position during the year. Overall, only a small part of the borrowings (less than 17 *per cent*) are available for investment and other expenditure after meeting the repayment obligations. Considering that the outstanding debt has been increasing year after year, the net availability of funds through public borrowings is going to reduce further. There is an urgent need for the Government to assess high debt servicing cost and ways to arrest the trend.

[α] Other liabilities include small savings, provident funds, reserve funds and deposits, etc.

1.11 Indicators of the financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity, it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity, it would be pertinent to examine the flexibility of the means of financing and finally, Government's increased vulnerability in the process. All the State Governments continue to increase the level of their activity principally through Five Year Plans which translate to Annual development plans and are provided for in the State Budget. Broadly, it can be stated that non-plan expenditure represents Government maintaining the existing level of activity*, while plan expenditure entails expansion of activity. Both these activities require resource mobilisation increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of Annual Financial Statement (Budget) and the Accounts. As regards the budget, the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix I. Exhibit VI indicates the behaviour of these indices/ratios over the period from 1995-96 to 1999-2000. The implications of these indices/ratios of the state on the financial health of the State Government are discussed in the following paragraphs.

---

* There are exceptions to this, notably transfer of Plan to Non-Plan at the end of Plan period.

EXHIBIT VI

FINANCIAL INDICATORS FOR GOVERNMENT OF TAMIL NADU

	1995-96	1996-97	1997-98	1998-99	1999.2000
(1)	(2)	(3)	(4)	(5)	(6)
Sustainability					
BCR (Rs in crore)	945	409	(-)163	(-) 1914	(-)3226
Primary Deficit (PD) (Rs in crore)	(-) 37	969	358	2655	2671
Interest Ratio	0.09	0.10	0.10	0.13	0.15
Capital outlay/Capital receipts	0.46	0.60	0.46	0.32	0.16
Total Tax receipts/GSDP	0.11	0.11	0.11	0.10	0.11
State Tax Receipts/GSDP	0.09	0.09	0.08	0.08	0.08
Return on Investment ratio	0.0346	0.0208	0.0143	0.0156	0.0154
Flexibility					
BCR (Rs in crore)	945	409	(-)163	(-) 1914	(-)3226
Capital repayments/Capital borrowings	0.18	0.19	0.19	0.19	0.18
State tax receipts/GSDP	0.09	0.09	0.08	0.08	0.08
Debt/GSDP	0.19	0.19	0.19	0.20	0.22
Vulnerability					
Revenue Deficit(RD) (Rs in crore)	311	1104	1364	3437	4400
Fiscal Deficit(FD) (Rs in crore)	1256	2445	2122	4777	5382
Primary Deficit(PD) (Rs in crore)	(-) 37	969	358	2655	2671
PD/FD	(-) 0.03	0.40	0.17	0.56	0.50
RD/FD	0.25	0.45	0.64	0.72	0.82
Outstanding Guarantees/revenue receipts	0.34	0.36	0.33	0.43	0.35
Assets/Liabilities	0.65	0.63	0.60	0.52	0.46

Note:

1. The interest payment in 1995-96 was more than the fiscal deficit, hence the negative figure for primary deficit.
2. Fiscal deficit has been calculated as: Revenue expenditure + Capital expenditure + Net loans and advances – Revenue receipts – Non loan capital receipts.
3. In the ratio Capital outlay vs. Capital receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from small savings, Provident Fund etc., + Repayments received from loans advanced by the State Government – Loans advanced by State Government.

1.11.3 The behaviour of the indices/ratios is discussed below.

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. The position of Government has gone from bad to worse during the year 1999-2000. The table shows that the State Government had positive BCRs in the first two out of the five years, but the BCR in 1997-98 to1999-2000 was negative. In fact, the BCR declined substantially (by about 69 *per cent*) during 1999-2000. This was due to steep rise in non-plan revenue expenditure as compared to the growth in revenue receipts. This clearly indicated that Government expenditure was uncontrollable while resources were far less, leading to increased borrowings and a very heavy debt servicing burden in future years also.

(ii) Interest ratio

The higher the ratio the less the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In case of Tamil Nadu, the ratio has shot up to 0.15 after having been in the narrow range of 0.09 to 0.10 till 1997-98. A rising interest ratio has adverse implications for the sustainability, since it points to rising interest burden.

(iii) Capital outlay/capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term inasmuch as it indicates that a part of the capital receipts is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In the case of Tamil Nadu, the ratio has mostly been below 0.5 indicating that a substantial part of the capital receipts is not available for investment. Further, the ratio shows a declining trend since 1996-97 (from 0.60 to 0.16) indicating a worsening sustainability.

(iv) Tax receipts vs Gross State Domestic Product (GSDP)

Tax receipts consist of state taxes and state's share of central taxes. The latter can also be viewed as central taxes paid by people living in the state. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for the flexibility as well. While a low ratio would imply that the Government can tax more, and hence its flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility. Time series analysis shows that in case of Tamil Nadu, this ratio after remaining constant at 0.11 throughout the four years' period of 1994-95 to 1997-98 declined to 0.10 during 1998-99 and then increased to 0.11 during 1999-2000. The ratio of State tax receipts to GSDP has also remained static at 0.08, after declining from 0.09. This trend suggests that while the State Government had the option to raise more resources through taxation, it chose the easier option of borrowing to meet its increasing revenue and fiscal deficits.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and cooperative institutions. It shows that the ROI in case of Government of Tamil Nadu has been negligible and has declined from 3.46 *per cent* in 1995-96 to 1.54 *per cent* in 1999-2000.

(vi) Capital repayments vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In case of Tamil Nadu Government, this ratio has been low in the range of 18 to 19 *per cent*.

(vii) Debt vs Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In the case of Tamil Nadu, this ratio has jumped from 0.20 in 1998-99 to 0.22 during 1999-2000, indicating significant growth of indebtedness during the year.

(viii) Revenue deficit/Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, the higher the ratio the worse off the state because that would indicate that the debt burden is increasing without adding to the repayment capacity of the state. During 1999-2000, 82 *per cent* of the borrowings were applied to revenue expenditure as compared to 25 *per cent* in 1995-96. This is a most unfavourable trend. The 228 *per cent* increase in the ratio during the past 5 years indicated that very little was available out of the borrowings for asset formation.

(ix) Primary deficit (PD) vs Fiscal deficit (FD)

Primary deficit is the fiscal deficit minus interest payments. It represents non-interest borrowings of the Government, on account of its current actions (interest payments relate to the past actions of the Government). Primary deficit is sustainable only when the economy grows at a rate higher than the interest rate on borrowings. This not being the case, fiscal prudence would require aiming at a zero primary deficit or primary surplus. In case of Tamil

Nadu, as Exhibit V shows, the ratio of PD/FD has increased substantially during 1998-99 to 56 *per cent* as compared to the position in 1995-96 when there was a primary surplus and marginally declined to 50 *per cent* in 1999-2000 suggesting that the sustainability is adversely affected as the burden of interest payment continued to be substantial.

(x) Guarantees vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay *viz.*, its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In case of Tamil Nadu, this ratio has been in the range of 0.33 to 0.43.

(xi) Assets vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. As explained in para 1.2, the accounting of assets and liabilities in the Government pertains mainly to the financial assets and liabilities. In case of Tamil Nadu, this ratio has declined from 0.65 in 1995-96 to 0.46 in 1999-2000 indicating that the increase in liabilities has not led to corresponding increase in the assets. This suggests imprudent financial management.

(xii) Budget

There was no delay in submission of the budget and its approval. The details are given in the following table:

Preparation	Month of submission	Month of approval
Vote on account	March 1999	March 1999
Budget	March 1999	May 1999
Supplementary I	November 1999	December 1999
Supplementary II	March 2000	March 2000

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent surrenders of significant amounts of over Rs 1000 crore every year *vis-à-vis* the final modified grant. Significant variations (excess/saving) between the final modified grant and actual expenditure were also persistent.

(xiii) Accounts

There was no significant delay in the submission of accounts by the treasuries/departments during 1999-2000.

1.11.4 Conclusion

State Government's rise in expenditure was unabated compared to the expenditure during 1998-99. State Government incurred an additional expenditure of about Rs 2660 crore, whereas increase in revenue of the State was only Rs 2067 crore. While the capital expenditure during the year declined by over Rs 500 crore, the increase in Revenue expenditure was about Rs 3030 crore resulting in the increase in Revenue deficit by about Rs 963 crore over the last year. The increase in Revenue expenditure was partly due to the increase in pensions and other retirement benefits to the extent of Rs 997 crore. The decline in Capital expenditure occurred because the State Government adjusted the investment of Rs 826.05 crore with Tamil Nadu Electricity Board towards Tariff compensation payable to the Board for free supply of electricity to farmers. This book adjustment, apart from limiting the borrowing of the State Government (as no cash payment was made), restricted the State's gross Fiscal Deficit.

Heavy borrowing resorted to by State Government to meet the revenue deficits resulted in substantial increase in interest payment. A steeply falling BCR due to sharp rise in non-plan revenue expenditure compared to growth in Revenue receipts has added to the worsened financial position of the State, aggravating the imbalance between Assets and Liabilities. Other fiscal indicators also changed for the worse. Overall the financial picture of the State has worsened during the year.

CHAPTER II

APPROPRIATION AUDIT
AND
CONTROL OVER EXPENDITURE

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Appropriation Accounts: 1999-2000

Total number of grants: 63

Total provision and actual expenditure

Provision	Amount (Rs in crore)	Expenditure	Amount (Rs in crore)
Original	23072.31		
Supplementary	7199.20		
Total gross provision	30271.51	**Total gross expenditure**	28717.41
***Deduct* – Estimated recoveries in reduction of expenditure**	261.05	***Deduct* – Actual recoveries in reduction of expenditure**	1255.34
Total net provision	**30010.46**	**Total net expenditure**	**27462.07**

Voted and Charged provision and expenditure

	Provision (Rs in crore)		Expenditure (Rs in crore)	
	Voted	**Charged**	**Voted**	**Charged**
Revenue	18917.32	*2812.08*	18394.96	*2749.88*
Capital	1740.27	*0.94*	1482.58	*0.67*
Total (Gross)	20657.59	*2813.02*	19877.54	*2750.55*
***Deduct* – recoveries in reduction of expenditure**	260.82	*0.23*	1254.88	*0.46*
Total (Net)	**20396.77**	***2812.79***	**18622.66**	***2750.09***

(This table excludes provision and expenditure on "Loans and Advances" and "Public Debt-Repayment").

2.1 Introduction

In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate certain sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Act includes the expenditure which has been voted by the Legislature on various grants in terms of Articles 204 and 205 of the Constitution of India and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government *vis-à-vis* those authorised by the Appropriation Act.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts – 1999-2000

The summarised position of actual expenditure during 1999-2000 against 63 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	16318.62	2598.70	18917.32	18394.96*	(-) 522.36
	II Capital	1469.16	271.11	1740.27	1482.58*	(-) 257.69
	III Loans and Advances	388.30	263.92	652.22	651.17	(-) 1.05
Total Voted		**18176.08**	**3133.73**	**21309.81**	**20528.71**	**(-) 781.10**

	Nature of expenditure	Original grant/appro-priation	Supple-mentary grant/app-ropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Charged	I √ Revenue	*2436.68*	*375.40*	*2812.08*	*2749.88*	*(-) 62.20*
	V Capital	*0.13*	*0.81*	*0.94*	*0.67*	*(-) 0.27*
	VI Public Debt	*2459.42*	*3689.26*	*6148.68*	*5438.15*	*(-) 710.53*
Total Charged		***4896.23***	***4065.47***	***8961.70***	***8188.70***	***(-) 773.00***
Appropriation to Contingency Fund (if any)		..	..	..	..	..
Grand Total		**23072.31**	**7199.20**	**30271.51**	**28717.41****	**(-) 1554.10**

* These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure except in respect of grant numbers 35, 36, 38 and 54 where figures are net.

** The total expenditure stands inflated to the extent of Rs 968.02 crore, transferred to 8443 – Civil Deposits – 800 Other Deposits.

2.3 Results of Appropriation Audit

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

2.3.1 The overall saving of Rs 1554.10 crore was the result of saving of Rs 1917.09 crore in 52 grants and 53 appropriations offset by excess of Rs 362.99 crore in 9 grants and 1 appropriation.

2.3.2 The overall excess (Appendix II) of Rs 362.99 crore requires regularisation under Article 205 of the Constitution.

2.3.3 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/ appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 1663.56 crore for the years 1990-91 to 1998-99 was yet to be regularised, as detailed below:

(Rupees in crore)

Year	Number of grants/ appropriations	Grant/ Appropriation Numbers	Amount of excess	Amount for which explanations not furnished to Public Accounts Committee (PAC)
1990-91	21 Grants	2, 3, 5, 7, 14, 17, 23, 29, 30, 31, 37, 38, 41, 42, 45, 47, 50, 53, 54, 55 and 59	269.65	PAC after discussion, has recommended for regularisation in May 2000. Appropriation Act is yet to
	5 Appropriations	7, 37, 44, 52 and 53		be passed by the Legislature.
1991-92	15 Grants	5, 10, 11, 17, 19, 20, 35, 37, 39, 44, 46, 48, 50, 57 and 58	167.82	Explanatory notes were furnished to the Public Accounts Committee in June
	8 Appropriations	7, 15, 18, 31, 37, 44, 46 and 59		2000 and discussions are yet to be taken up.
1992-93	14 Grants	5, 7, 19, 20, 24, 34, 35, 37, 42, 44, 46, 57, 60 and 62	49.37	Explanatory notes have been furnished (November 2000) and discussions are yet to be
	8 Appropriations	2, 7, 11, 15, 18, 19, 37 and 55		taken up.
1993-94	9 Grants	11, 19, 20, 22, 37, 38, 45, 49 and 56	39.42	Explanatory notes have been furnished (November 2000)
	6 Appropriations	Debt Charges, 7, 15, 18, 31 and 36		and discussions are yet to be taken up.
1994-95	15 Grants	7, 8, 20, 21, 31, 33, 36, 38, 41, 42, 53, 56, 57, 60 and 61	208.21	Explanatory notes not furnished. 208.21
	8 Appropriations	7, 15, 35, 36, 38, 41, 45 and 52		
1995-96	8 Grants	30, 31, 34, 38, 40, 41, 45 and 56	112.51	Explanatory notes not furnished.
	11 Appropriations	7, 11, 15, 16, 18, 19, 35, 36, 37, 42 and 43		112.51
1996-97	17 Grants	5, 8, 11, 20, 26, 31, 33, 35, 36, 39, 41, 45, 50, 53, 56, 57 and 59	284.32	Explanatory notes not furnished. 284.32
	8 Appropriations	1, 15, 18, 19, 35, 45, 46 and 47		
1997-98	7 Grants	19, 20, 23, 26, 35, 38 and 45	299.42	Explanatory notes not furnished.
	5 Appropriations	15, 29, 35, 45 and 55		299.42
1998-99	16 Grants	3, 5, 6, 17, 20, 27, 30, 33, 35, 38, 39, 40, 48, 50, 52, and 57	232.84	Explanatory notes not furnished. 232.84
	2 Appropriations	Debt charges and 45		
		Total	**1663.56**	**1137.30**

2.3.4 (a)(i) Supplementary provision obtained during the year constituted 31 *per cent* of original provision compared to previous years 1996-97 to 1998-99 which was 13, 12 and 8 *per cent* respectively.

(ii) An analysis of the Budget provision made, expenditure incurred and amount surrendered during 1996-2000 disclosed the following:

(Rupees in crore)

Year	**Original Provision**	**Supple-mentary Provision**	**Amount surrendered**	**Expenditure**	**Final saving**
1996-97	15657.21	1972.64	2212.39	15636.66	1993.19
1997-98	18131.10	2196.28	2756.40	17884.23	2443.15
1998-99	22513.64	1898.89	3775.81	21364.68	3047.85
1999-2000	23072.31	7199.20	1076.67	28717.41	1554.10

During 1999-2000, unlike in previous years, huge funds had been provided in the Supplementary Estimates, of which 96 *per cent* was provided in March 2000 only. Of the supplementary provision of Rs 7199.20 crore, 93 *per cent* was for non-plan.

(b) Unnecessary Supplementary provision

Supplementary provision of Rs 23.92 crore obtained in 16 grants (Rs 23.76 crore) and 13 appropriations (Rs 0.16 crore) (Appendix III) in March 2000 proved unnecessary in view of the final saving in each grant/appropriation being more than the supplementary provision obtained.

In 13 voted grants detailed below, the original provision of Rs 3865.18 crore was augmented by supplementary provision of Rs 31.45 crore, but the expenditure fell short of even the original provision.

(Rupees in crore)

Grant Number	**Original provision**	**Supplementary provision**	**Expenditure**	**Saving**
5	10.20	0.77	8.78	2.19
14	56.54	0.10	52.90	3.74
16	61.80	1.76	55.49	8.07
25	196.88	*	158.74	38.14
27	1225.73	10.59	1208.87	27.45
32	104.35	1.00	76.72	28.63
34	1167.54	0.83	829.87	338.50
37	11.58	0.10	4.17	7.51
42	458.31	@	286.39	171.92
47	88.69	1.22	80.68	9.23
51	30.62	6.32	30.46	6.48
56	451.68	8.74	354.82	105.60
59	1.26	0.02	1.26	0.02
Total	**3865.18**	**31.45**	**3149.15**	**747.48**

* Rs 9,000 only
@ Rs 26,000 only

Similarly, in the charged appropriation (under grant numbers 17 and 36), supplementary appropriation amounting to Rs 0.05 crore obtained in March

2000 proved unnecessary as the expenditure (Rs 0.24 crore) fell short of original provision of Rs 0.27 crore resulting in saving of Rs 0.08 crore.

In 11[@@] other appropriations, though the original provision of Rs 0.91 lakh was augmented by supplementary provision of Rs 11.55 lakh, no expenditure was incurred resulting in saving of the entire provision of Rs 12.46 lakh.

(c) Insufficient Supplementary provision

In 5 grants (Appendix IV), supplementary provision obtained during the year proved insufficient, resulting in excess ranging from Rs 5 crore to Rs 143.42 crore; aggregate excess expenditure was Rs 362.47 crore.

(d) Though substantial funds (Rs 706.76 crore) have been provided under Grant number 41- Pensions and Other Retirement Benefits in March 2000, there was a huge excess of Rs 94.99 crore. As the payment relates to arrears of pensions (non-plan), the funds required could have been assessed accurately and excess avoided.

2.3.5 Excess requiring regularisation

(a) Persistent excess

Significant excess was persistent for three years in 2 grants as detailed below:

(Rupees in crore)

Serial number	Number and title of grant	1997-98		1998-99		1999-2000	
		Amount	Percentage	Amount	Percentage	Amount	Percentage
1.	35 Irrigation	124.49	44	12.20	3	97.83	31
2.	38 Roads and Bridges	45.67	12	10.35	3	5.01	1

Persistent excess requires investigation by the Government for remedial action.

(b) Expenditure incurred without provision

In 544 sub-heads expenditure of Rs 1479.50 crore had been incurred either without budget provision or the entire provision made was withdrawn subsequently through reappropration.

2.3.6 Persistent savings

Persistent savings of 5 *per cent* and above during 1997-98 to 1999-2000 were noticed in 8 grants and 6 appropriations vide Appendix V. Under grant number 54 - Capital Outlay on Irrigation, saving occurred in all the preceding 20 years, the percentage of saving ranging from 11 to 83.

@@ Appropriations under grant numbers 11, 12, 16, 19, 20, 21, 22, 23, 25, 35, and 54.

2.3.7 In 13 grants and 2 appropriations, the expenditure fell short by more than Rs 1 crore each and also by 10 *per cent* or more of the total provision (Appendix VI).

2.3.8 Substantial surrenders

Substantial surrenders were made in respect of 78 schemes on account of either non-implementation or slow implementation. Out of the total provision amounting to Rs 1343.42 crore in these 78 schemes, Rs 1223.38 crore were surrendered. Results of review conducted by Audit in respect of a few of these cases are given in Appendix VII.

2.3.9 Excessive/unnecessary reappropriation of funds

Reappropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. There were 693 sub-heads where injudicious reappropriation of funds proved excessive or insufficient and resulted in savings/excess by over Rs 10 lakh. 146 cases in which the excess/saving was more than Rs 1 crore are detailed in Appendix VIII.

2.3.10 Unexplained reappropriations

A scrutiny of the reappropriation orders issued by the Finance Department revealed that in respect of 3,785 out of 11,120 items (34 *per cent*) at the first reappropriation stage and in respect of 8 out of 10 items (80 *per cent*) at the second reappropriation stage, reasons given for additional provision/withdrawal of provision were of general nature like "actual requirement" and "based on latest assessment".

2.4 Budgetary procedure and control over expenditure

2.4.1 Inadequate control over expenditure

The Appropriation Acts specify the sums 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 upto 31 March and the difference is resumed to the Consolidated Fund. Such resumptions of funds under the grants were persistent and significant not only during 1999-2000 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 1995-96 to 1999-2000 is indicated below:

(Rupees in crore)

Year	Sums authorised by the Legislature	Amount resumed (surrendered)	Final Modified Grant/ Appropriation	Actual Expenditure	Variation between (4) and (5)Excess (+)/ Saving (-)
(1)	(2)	(3)	(4)	(5)	(6)
1995-96	14902.18	1990.74	12911.44	12826.19	(-) 85.25
1996-97	17629.85	2212.39	15417.46	15636.66	(+) 219.20
1997-98	20327.38	2756.40	17570.98	17884.23	(+) 313.25
1998-99	24412.53	3775.81	20636.72	21364.68	(+) 727.96
1999-2000	30271.51	1076.67	29194.84	28717.41	(-) 477.43

Savings compared to the final modified grant showed that estimates of expenditure prepared even in March, the last month of the financial year, were defective. Similarly, excess expenditure over and above the final modified grant indicated that the control over expenditure was inadequate.

Rupees 1076.67 crore were surrendered out of the grants and appropriations authorised by the Legislature for expenditure during 1999-2000 and resumed to Consolidated Fund on 31 March 2000. However, in 3 grants (numbers 2, 35 and 45), total provision of Rs 414.47 crore was reduced to Rs 317.07 crore in the final modified grant stage, but expenditure incurred under these grants (Rs 533.70 crore) was in excess of final modified grant by Rs 216.63 crore.

In 8 other grants,[a] against Rs 480.49 crore surrendered in March 2000, the saving was only Rs 382.00 crore, resulting in excess expenditure over the final modified grant.

In 8 other grants[b] and 5 appropriations (numbers 36, 38, 47, Debt Charges and Public Debt Repayment), against Rs 595.96 crore surrendered in March 2000, the saving was Rs 1133.44 crore, indicating that the department had not utilised Rs 537.48 crore out of the final modified grant/appropriation.

In 39 other grants[c] and 39 appropriations, [d] though the saving was Rs 401.42 crore, the department had not surrendered any funds in March 2000; as a result, this was not available to other grants where funds were actually required.

2.4.2 Defective/inaccurate budgeting

A test-check of records of Horticulture Department revealed the following:

(a) 2401.00.119.II.KN Rejuvenation of Hill Banana Cultivation

Out of Rs 23.63 lakh provided, only an expenditure of Rs 3.21 lakh was incurred by the department and the balance amount of Rs 20.42 lakh remained unspent as of March 2000. Similarly, during the year 1998-99, out of Rs 39.50 lakh provided, a sum of Rs 33.67 lakh was not spent during that year. In reply, the department stated (August 2000) that the scheme could not be

a Grant numbers 2, 14, 24, 32, 34, 35, 37 and 45.

b Grant numbers 16, 25, 27, 42, 47, 49, 53, and 56.

c Grant numbers 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 18, 19, 20, 21, 22, 23, 28, 29,30, 31, 36, 39, 40, 43, 44, 48, 50, 51, 52, 54, 55, 57, 58, 59, 60 and 61.

d Grant numbers 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25, 27, 28, 30, 31, 33, 34, 35, 37, 39, 41, 42, 44, 49, 54, 55, 58 and 60.

implemented as there were some technical problems like sending of mother plantlets to Australia for testing virus free.

(b) 2401.00.119.II.KR Scheme for establishment of Polygreen houses in farmers land

Government sanctioned (September 1999) a sum of Rs 25 lakh for the establishment of Polygreen houses in all the districts of Tamil Nadu and the Commissioner of Horticulture and Plantation Crops was instructed to furnish proposals for obtaining the funds in first supplementary estimates. Based on the proposal sent by the department (January 2000), Government provided a sum of Rs 25 lakh in the second supplementary estimate only. The failure of the department to furnish the proposals in time had resulted in non-utilisation of funds to the tune of Rs 16 lakh.

2.4.3 Rush of expenditure

According to codal provisions, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 602 heads, expenditure exceeding Rs 1 lakh and also more than 50 *per cent* of the total expenditure was incurred in the month of March 2000. Of these, in 107 heads, expenditure exceeded Rs 1 crore (Appendix IX).

Since the funds released to various organisations in March cannot be constructively spent during the year, it is not possible to conclude whether these funds were applied for the purpose for which they were authorised.

2.4.4 Some instances of rush of expenditure in March are given below:

(i) Grant No.15 – 2055.00.115.I.AE

Modernisation of Police Force (State)

Government accorded sanction in October 1999 for purchase of 175 motor vehicles at a total cost of Rs 4.16 crore under the scheme of Modernisation of Police Force. The Director General of Police (DGP) placed orders (December 1999 and February 2000) under DGS & D rate contract with 3 firms at a total cost of Rs 3.13 crore. Advance of Rs 3.13 crore payable to the firm was drawn only on the last day of March 2000, with a view to avoid lapse of funds.

(ii) Grant No.18 – 2210.06.101.UG

National Tuberculosis Control Programme

Based on the proposals submitted by the Director of Medical and Rural Health Services (DMRHS) on 2 March 2000, Government on 28 March 2000 sanctioned the release of Rs 276.90 lakh to Tamil Nadu Medical Services Corporation (TNMSC) for supply of Anti-Tuberculosis (TB) drugs under National TB Control Programme.

The amount was debited to the service head on 31 March 2000 and adjusted to Deposit account of TNMSC.

(iii) Grant No.19 – 2210.01.109.I.AB

Supply of drugs and surgical stores and supplies to Government Medical Institutions/Hospitals through Tamil Nadu Medical Services Corporation (Vazhvoli Thittam)

Based on the proposals (May 1999 and June 1999) of the Director of Public Health and Preventive Medicine (DPHPM), Government in July 1999 among other things, sanctioned Rs 3 crore towards supply of medicines under the scheme *viz.*, Vazhvoli Thittam (erstwhile School Health Scheme). The Tamil Nadu Medical Services Corporation (TNMSC) was to procure and supply the drugs. However, the DPHPM issued orders for the release of amount to TNMSC only in December 1999 (Rs 1 crore) and in January 2000 (Rs 2 crore). The amount of Rs 3 crore was drawn by debit to the service head only on 31 March 2000 and credited to Deposit account of TNMSC. This was done to avoid lapse of budget grant.

(iv) Grant No. 55 – 4202.01.201.III.SA

Schemes under the Area Intensive Programme for Educationally Backward Minorities

Government in June 1999 sanctioned the implementation of the Centrally Sponsored Scheme of "Area Intensive Programme for Educationally Backward Minorities" and released Rs 72.81 lakh towards construction of classrooms to the newly opened primary schools/upgraded middle schools. Government also specified 15 schools in Gudalur and 3 schools in Ramanathapuram blocks. The list was subsequently revised by Government in February 2000 as the strength of minorities' children studying in those schools was negligible.

The amount was drawn by the Director of Elementary Education (DEE) on 30 March 2000 resulting in rush of expenditure. The amount was actually disbursed to the District Collectors, Nilgiris and Ramanathapuram only in April 2000. Thus, due to incorrect selection of schools and delay in drawal of the amount, the scheme was not implemented during 1999-2000, despite availability of funds. Though the amount of Rs 72.81 lakh was shown as expenditure in the service head, it remained unutilised with the District Collectors concerned.

(v) Grant No. 60 – 4217.01.190.II.JA

Formation of Metropolitan Infrastructure Development Corporation (Mega City)

Based on the proposal made on 14 March 2000 by Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO), Government sanctioned Rs 15.96 crore on 30 March 2000, towards the matching share of the State Government for implementation of Mega City Programme by the TUFIDCO. Of this, Rs 14.96 crore was provided by reappropriation in March 2000.

The amount was drawn by the Commissioner of Municipal Administration and credited to Deposit account of TUFIDCO on 31 March 2000. Besides rush of expenditure in March 2000, the Government share was paid to TUFIDCO by reappropriation, without seeking approval of the Legislature through Supplementary Grant.

2.5 Funds flow for centrally sponsored schemes

Government of India implements various centrally sponsored schemes by releasing funds either to the State Government as grants or direct to the implementing agencies.

As revealed by the Finance Accounts, an amount of Rs 513.35 crore was received by the State Government as Central assistance during 1999-2000 for implementing various centrally sponsored schemes. Details of central assistance received during each quarter are as follows.

Quarter	Amount of central assistance received (Rupees in crore)
I (April to June 1999)	NIL
II (July to September 1999)	123.71
III (October to December 1999)	123.90
IV (January to March 2000)	265.74
Total	**513.35**

In 73 centrally sponsored schemes, expenditure of Rs 14.89 crore had been incurred without any budget provision.

A review of funds received and utilised for 9 centrally sponsored schemes[#] in Education Department revealed that as on 1 April 1999, Rs 31.29 crore remained unspent; Rs 3.90 crore were received during 1999-2000. After incurring an expenditure of Rs 19 crore, the unspent balance as on 31 March 2000 was Rs 16.19 crore.

Major unspent balances were in the following schemes:

(i) Restructuring and Reorganisation of Teachers Education

Based on the claims of Directorate of Teacher Education, Research and Training (DTERT), GOI released Rs 29.13 crore for the years 1997-98 and 1998-99, while the expenditure was Rs 16.52 crore. The excess release of Rs 12.61 crore was utilised by adjusting the expenditure of Rs 10.83 crore relating to 1999-2000 leaving an unspent balance of Rs 3.74 crore which includes the balance unutilised (Rs 1.96 crore) on 1 April 1997. The amount claimed by the DTERT for 1997-98 and 1998-99 from GOI was thus much higher than the actual expenditure in these years on this programme.

[#] 1. Non-formal Education for children of 6-14 age group.
2. Restructuring and Reorganisation of Teachers Fducation.
3. Operation Black Board scheme.
4. Improvement of Science Education in Schools.
5. Integrated Education for Disabled Children.
6. Vocationalisation of Secondary Education at +2 level.
7. Establishment of Shramik Vidyapeeth.
8. Award of scholarships to the students studying Sanskrit in High/Higher Secondary schools and
9. Assistance to eminent Sanskrit scholars in indigent circumstances.

(ii) Non-formal Education for children of 6 – 14 age group

Delayed submission of proposal (March 1999) and issue of sanction (Rs 21.29 lakh) by Government in November 1999 caused belated receipt of Rs 3.09 crore from Government of India (February 2000) for 90 new projects and for continuance of 7 old projects. This had resulted in non-utilisation of funds to the extent of Rs 3.33 crore as of March 2000.

(iii) Operation Black Board

Even after receipt of Government of India instructions to utilise the entire balance before September 1997, tenders for purchase of maps and charts in lieu of overhead projectors were finalised only in February 2000 and supplies were yet to be made. Consequently, Rs 1.56 crore intended for the purpose remained unspent (August 2000).

2.6 Expenditure on New Service/New Instrument of Service

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

During 1999-2000, expenditure totalling Rs 3.38 crore was incurred on 7 schemes (Appendix X) where only token provision was made. The entire expenditure was met out of reappropriation in 2 schemes. In respect of one scheme, only token provision was made in budget and also in reappropriation and an expenditure of Rs 1.09 crore was incurred without obtaining the approval of legislature. In another scheme, only token provision was made in the Budget and the entire expenditure of Rs 55.36 lakh incurred without supplementary provision or re-appropriation of funds. In respect of the remaining 3 schemes, even the token provision was withdrawn and the expenditure was incurred without any provision. In 37 schemes, expenditure of Rs 25.54 crore was incurred without any original or supplementary provision or reappropriation and had to be treated as New Service/New Instrument of Service as the prescribed procedure for drawal had not been followed (Appendix XI). In 5 schemes, an expenditure of Rs 0.87 crore was incurred by utilising the reappropriated funds(Appendix XII).

(b) In 4 other schemes (Appendix XIII), receiving assistance from Government of India and in respect of expenditure on natural calamities, though token provision was made in the Budget, expenditure of Rs 1.37 crore was incurred during the year without seeking supplementary grant.

2.7 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 crore for the year 1999-2000. 136 sanctions were issued during 1999-2000 advancing Rs 146.45 crore from the Contingency Fund. It was noticed that:

(i) six sanctions amounting to Rs 7.92 crore were neither operated nor cancelled ; and

(ii) the actual expenditure (Rs 1.22 lakh) against one sanction was less than 5 *per cent* of the amount sanctioned (Rs 25 lakh).

2.8 Trend of Recoveries and Credits

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 1999-2000 the anticipated recoveries were Rs 261.05 crore and the actual recoveries were much higher at Rs 1255.34 crore. Some of the important cases of shortfall/excess as compared to estimates are detailed in Appendix XIV.

2.9 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 481 sub-heads, the explanations for variations were not received in respect of 361 sub-heads (75 *per cent)* (August 2000).

2.10 Unreconciled expenditure

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 were as under:

(Rupees in crore)

Year	Number of controlling officers who did not reconcile their figures	Amount not reconciled
1992-93	2	1.15
1993-94	6	22.47
1994-95	5	0.69
1995-96	5	3.38
1996-97	9	16.57
1997-98	17	45.72
1998-99	18	102.45
1999-2000	91	787.55
Total	**153**	**979.98**

Amounts exceeding Rs 10 crore in each case remained unreconciled during 1999-2000 in respect of the following 15 controlling officers.

(Rupees in crore)

Serial Number	Controlling Officers	Amount not reconciled
1.	Commissioner of Fisheries, Chennai	13.95
2.	Commissioner of Civil Supplies and Consumer Protection, Chennai	26.19
3.	Registrar, Cooperative Societies, Chennai	10.86
4.	Director, Teacher Education, Research and Training, Chennai	19.37
5.	Conservator of Forests, Salem Circle, Salem	13.31
6.	Director of Handlooms and Textiles, Chennai	62.14
7.	Director, Public Health and Preventive Medicine, Chennai	19.17
8.	Director of Medical Education, Chennai	122.10
9.	Inspector General of Prison, (Headquarters), Chennai	26.59
10.	Director of Fire Services, Chennai	19.22
11.	Chief Engineer (General), Highways (General), Chennai	66.92
12.	The Commissioner of Municipal Administration, Chennai	34.57
13.	The Commissioner of Land Administration, Chennai	14.39
14.	Principal Commissioner of Revenue Administration, Chennai	183.88
15.	Director of Rural Development, Chennai	36.86

2.11 Reserve Funds

Reserve Funds are constituted by the State Government under a statutory provision or otherwise, either by allotment of sums from the Consolidated Fund of the State or from grants or contributions made by other Governments or outside agencies, for spending for specific and particular purposes for which they have been constituted. As of 31 March 2000, the accumulated balances in various Reserve Funds were Rs 1212.10* crore.

Review of the transactions under Reserve Funds revealed that:

(i) The Depreciation Reserve Fund (Milk scheme - Central Dairy, Madhavaram under "8115 - Depreciation/Renewal Reserve Funds") had not been operated for more than 13 years and an accumulation of Rs 1.06 crore was still lying under this fund;

(ii) Though the Urban Development Fund was abolished in September 1993, the accumulated balance of the fun. as on 31 March 2000 (Rs 657.11 crore) continued to exist in Government accounts;

(iii) For want of balance, expenditure of Rs 29.66 crore could not be recovered from the 'Religious and Charitable Endowments Fund'.

* Includes amount under Major Head 8449.103.Subventions from Central Road Fund: Rs 7.85 crore.

CHAPTER III

CIVIL DEPARTMENTS

SECTION – A

AUDIT REVIEWS

3.1 Implementation of environmental Acts and Rules relating to Water Pollution (Environment and Forests Department)

Summary Highlights

Government of India enacted the Water (prevention and control of pollution) Act 1974 and Water (Prevention and Control of Pollution) Cess Act 1977 with the objective of prevention, control and abatement of water pollution through planning comprehensive programmes. Tamil Nadu Pollution Control Board constituted in 1982 and Department of Environment created in October 1995 are entrusted with the responsibility of environmental management in the State. The Urban local bodies had not provided sewage treatment plants for treatment of effluent water before letting into water courses; industrial units were functioning in the State without getting the consent renewed from Tamil Nadu Pollution Control Board and no penal/legal action was taken by the Tamil Nadu Pollution Control Board on defaulting industries as contemplated in the Act. Inspection of highly polluting industries had not been carried out regularly. The quality of water in various water sources in the State was found to be below standard continuously.

- **The water quality in the State, as seen from the analysis of water samples taken from various water sources continued to be below standard during 1994-99 to the extent of 57 to 67 *per cent* of total samples analysed. Tamil Nadu Water Supply and Drainage Board also reported that about 44 *per cent* of water sources in the State were found to be not potable due to various reasons. Thus the water quality had not improved since 1994.**

(Paragraphs 3.1.4.2 and 3.1.4.4)

- **One hundred and one out of 108 Urban Local Bodies had not provided Sewage Treatment Plants, with the result, the domestic sewerage water continued to be let into streams, rivers and water courses without treatment, thus polluting the water sources.**

(Paragraph 3.1.5.1 (b))

- **Of the 6639 units of large and medium scale industries, 136 units had not provided Effluent Treatment Plants and continue to pollute the water courses and land.**

(Paragraph 3.1.5.2(a))

- **Eight Common Effluent Treatment Plants taken up for construction during 1996-99 had not been completed; an amount of Rs 2.26 crore was released as subsidy to these plants.**

(Paragraph 3.1.5.2(b))

- **As of March 2000, 2303 industries had not applied for renewal of consent to the Board.**

(Paragraph 3.1.6.1)

- **Shortfall ranging between 6 to 92 and 28 to 100 *per cent* was noticed in carrying out inspections during 1995-99 under Red and Orange categories of industries respectively resulting in poor monitoring of the**

Abbreviations used in this review are listed in the Glossary in Appendix XLVII (page 276).

industries; large number of vacancies in the posts of Assistant Engineers and Assistant Environmental Engineers were noticed.

(Paragraph 3.1.7.1)

- **Under National River Conservation Plan, out of Rs 9.10 crore released by Government of India upto March 2000, Rs 8.18 crore were only spent. The delay in execution of work was attributed to site conditions and the change of technology; Rs 23.24 lakh given for the establishment of a compost yard was not utilised from December 1997 by Bhavani Municipality for want of suitable land.**

(Paragraph 3.1.8.3)

3.1.1 Introduction

Pollution is perceptible in the form of alteration of physical, chemical and biological qualities of natural resources – water, air and land. As far as Tamil Nadu is concerned, a profile of the pollution in the State is detailed below:

(i) Air Pollution: Air pollution is caused by stationary sources such as thermal power stations, cement plants, oil refineries, chemical industries and mobile sources such as automobiles. With the increased industrial activity in the vicinity of the major cities and resultant discharge of emissions and also due to increase in vehicular population, the ambient air quality is affected.

A survey conducted during 1998-99 shows that the air pollution is generally within the standards in Tamil Nadu.

(ii) Water Pollution: In Tamil Nadu, the agricultural, industrial and domestic activities depend to a large extent on the ground water. Over-extraction of ground water and discharge of wastes back into surface/ground water make the water polluted. Also releasing effluents without treatment into water sources causes pollution.

(iii) **Hazardous wastes**: Hazardous wastes consist of water soluble chemical components of Lead, Copper, Zinc etc., waste oil and oil emulsion, acid/alkaline/slurry wastes, Mercury, Arsenic, Thallium and Cadmium bearing wastes etc. About 3.91 lakh tonnes of hazardous wastes of different categories are generated in the State per annum. 50 *per cent* of the wastes are recyclable and the remaining wastes are to be treated and disposed.

Water is polluted by four kinds of substances *viz*., traditional organic waste, waste generated from industrial processes, chemical agents for fertilisers and pesticides for crop protection and silt from degraded catchments. With a view to protect the environment, Government of India enacted the Water (Prevention and Control of Pollution) Act, 1974 amended in 1978 and 1988 and the Air (Prevention and Control of Pollution) Act, 1981 amended in 1987, Water (Prevention and Control of Pollution) Cess Act, 1977 amended in 1991 and Environment (Protection) Act, 1986. These Acts aim at prevention, control and abatement of water and air pollution through planning comprehensive programmes and securing execution thereof and also to establish Central and State Boards for prevention and regulation of pollution. The main objective of the State Pollution Control Board is to control and monitor pollution level of water, air and land and to maintain or restore the wholesomeness of water and air in the State. The Government in September 1983 have notified the Tamil Nadu Water (Prevention and Control of Pollution) Rules, 1983.

An audit of implementation of environmental Acts and Rules relating to Water Pollution has been taken up this year to assess the current status in the prevention and treatment of water pollution in the State.

3.1.2 Organisational set up

(i) At the Government level, Secretary to Government, Environment and Forest Department is in overall charge.

(ii) Tamil Nadu Pollution Control Board was constituted in February 1982 to exercise the powers and to perform the functions assigned through the Water Act and the Water Cess Act. The Board has a three tier set-up consisting of the Head office at Chennai, Regional Offices and District Offices. Five Regional offices had been formed to supervise the functioning of district level offices and to monitor the highly polluting industries. The district offices are implementing the pollution control schemes and measures at the field level. There are three Advanced Environmental Laboratories, eleven District Environmental Laboratories and three Mobile Environmental Laboratories, provided with sophisticated instruments and equipment to carry out analytical and scientific activities.

(iii) In October 1995, the Government of Tamil Nadu (GTN) created the Directorate of Environment to act as a nodal department for dealing with environmental management in the State and for implementation of major projects like pollution abatement in river Cauvery, coastal monitoring system, National Lake Conservation Plan etc. It also deals with all aspects of environment other than those dealt with by Tamil Nadu Pollution Control Board.

(iv) Samples from water sources were analysed by Tamil Nadu Water Supply and Drainage (TWAD) Board through 28 District laboratories and one mobile laboratory and by Directorate of Public Health and Preventive Medicine through one Chief Water Analyst each at Chennai and Coimbatore.

3.1.3 Audit Coverage

The principal aim of audit is to assess the degree of compliance shown in the enforcement of the law, rules and regulations governing pollution control. A test-check of records relating to survey, water quality in the State and schemes undertaken for treating the water, Central and State schemes implemented for prevention, control or abatement of water pollution covering the period 1994-95 to 1999-2000 was conducted in the offices of the Directorate of Environment, TWAD Board, 2 divisions of TWAD Board at Erode and Tiruchirappalli and Directorate of Public Health and Preventive Medicine. Besides, all the required particulars were obtained from the Tamil Nadu Pollution Control Board (Board).

Important points noticed in audit are discussed in the succeeding paragraphs.

3.1.4 Water quality in the State

3.1.4.1 The following two sponsored schemes of Government of India (GOI) were implemented by the Board for testing water quality in the State.

(i) Under Global Environmental Monitoring System (GEMS), in river Cauvery, surface water samples at 3 stations were collected for physio-chemical and micro-biological parameters and reports sent to Central Pollution Control Board.

(ii) Under Monitoring of India National Aquatic Resource System (MINARS), water quality at Cauvery, Tamirabarani, Vaigai, Palar rivers and at a few lakes were analysed at several stations for physio-chemical and bacteriological parameters and reports sent to Central Pollution Control Board.

The Board intimated in May 2000 that parameters for pH, faecal and total coliform had exceeded the tolerance limits from 1994-95 to 1998-99 in most of the stations where GEMS and MINARS schemes were monitored. Though the concerned local bodies were addressed (October 1997) to have a time bound programme for proper treatment of sewages before letting them into rivers and waterways, and reminded periodically by the Board, there was no response.

Quality of water was below standard in 57 to 67 *per cent* of the samples collected from the protected water sources in 23 districts.

3.1.4.2 Data given by the Chief Water Analyst, Chennai regarding the results of water analysis from the protected water sources (rivers, draw wells, lakes and reservoirs) in 23 districts during the period 1994-95 to 1998-99 revealed that the quality of water in 57 to 67 *per cent* of the samples was below standard (Appendix XV). Thus, the water quality in the State had not been improved since 1994.

3.1.4.3 As per the details furnished (February 2000) by the Director of Public Health and Preventive Medicine, there were 1903 deaths reported through cholera and acute diarrhoea and other diseases during the period 1994-99, due to major infection caused by leakage of pipeline, bore well, improper maintenance of overhead tanks and contamination of water from wells, streams and rivers.

TWAD Board reported that water sources in the State was not potable.

3.1.4.4 According to information furnished by the Chief Water Analyst, TWAD Board to Audit, about 9 *per cent* of water sources in the State were not potable due to excessive flouride, about 10 *per cent* due to excessive nitrate, about 7 *per cent* due to excessive iron and about 18 *per cent* due to excessive total dissolved solids. While sources in the districts of Dharmapuri, Salem and Erode were severely affected by excessive fluoride, the level of nitrate in water is high in the districts of Tiruvannamalai, Salem, Dharmapuri and Erode mainly due to application of fertilizers. The problem of salinity was significant in Ramanathapuram District.

3.1.5 Water Treatment

3.1.5.1 Treatment of domestic sewage water

a) Local bodies did not obtain consent

Only three Urban local Bodies had applied for consent from the Board.

According to Section 25 of Water (Prevention and Control of Pollution) Act 1974, all local bodies have to apply for consent to the State Pollution Control Board, as they discharge sewage into water course. Audit observed that only 3 out of 108 urban local bodies (6 Municipal Corporations and 102 Municipalities) had applied for consent to the Board. Other remaining rural local bodies like Panchayat Unions and Panchayats and Urban Town Panchayats had not obtained consent even though these also attracted the provisions of the Act.

b) Non-provision of sewage treatment plants by local bodies

Sewage treatment plants for treating effluent water are yet to be established in 101 out of 108 urban local bodies.

As per the sections 25 and 27 of Water Act, the local bodies should treat the effluent water before letting them into waterways. However, out of 6 Municipal Corporations and 102 Municipalities, only 7 local bodies[1] had Sewage Treatment Plants (STP) to treat the effluent water before letting them into streams, rivers etc. The remaining 101 local bodies had not provided any STPs and around 864 MLD of untreated water was let into streams, rivers etc. without treatment, polluting the water sources continuously. These local bodies could not implement schemes for sewage and solid wastes due to financial constraints. This plea, however, looked very weak since despite the offer of GOI for meeting a portion of the expenditure on installing the STPs, the local bodies had not taken any action in this matter so far.

The Board stated (November 2000) that the local bodies had been addressed to furnish comprehensive proposals for mitigating sewage and solid waste problems and they were yet to furnish necessary proposals. The Board also stated that proposals for utilising Central assistance for the treatment and disposal of sewage in certain reaches of certain local bodies are under consideration under "National River Conservation Plan".

3.1.5.2 Treatment of pollution load due to industrial activities

As per the provisions of the Water Act, industries discharging sewage/trade effluent are required to secure consent of the Board. All the industries generating effluent were to provide Effluent Treatment Plants (ETPs) to treat the effluent to achieve the standards prescribed by the Board. The Board fixed, (as far back as in February 1984) the tolerance limits for discharge of trade effluent into inland surface water, public sewers, marine coastal areas and on land for irrigation.

There were about 6639 industries in the State required to provide ETPs, besides 939 tanneries, 4173 textile bleaching and dyeing industries. Twenty seven *per cent* of industries had not provided the effluent plants so far (March 2000) as discussed in the succeeding paragraph.

---

[1] Chennai, Coimbatore Madurai, Tiruchirappalli and Tirunelveli Corporations, Tuticorin and Udhagamandalam Municipalities.

(a) Setting up of ETPs by industries

Of the 6639 large and medium scale industrial units in the State as of March 2000, which discharge trade effluents, 5304 units had provided ETPs and 1335 units had not provided ETPs so far.

The Board stated (November 2000) that it had closed 1199 units as per the directions of High Court and the remaining 136 units which were at various stages of constructing the ETPs had been addressed to expedite the construction of ETPs either individually or collectively.

As per the report (November 1999) on status of environment in the State prepared by the Board, out of 939 tanneries, 132 have provided individual ETPs. Out of 26 Common Effluent Treatment Plants (CETP) to be provided for 772 tanneries, 12 CETPs for 620 tanneries have been provided and were in operation and the remaining 14 CETPs at Tiruchirappalli and Vellore were under installation. 35 Tanneries had not provided any ETP so far (March 2000).

Similarly out of 4173 textile bleaching and dyeing industries which are major polluting industries, CETPs have been provided for 537 units and the installation of CETP was under progress in 905 industries. Closure orders had been issued to 821 units which had not applied for consent of the Board and which had not provided ETPs. Particulars for the remaining 1910 units were not available. Audit comments regarding ineffective inspection and working of ETPs are discussed in Paragraph 3.1.7.2.

(b) Common Effluent Treatment Plants

(i) As the cost of setting up of individual effluent treatment plants was high especially for medium and small scale industrial units, GOI introduced the scheme of Common Effluent Treatment Plants (CETPs) in June1990. Under the scheme the promoters[2] approach Government for availing central and state subsidies and the financial institutions for getting loan.

Works in eight common effluent treatment plants were delayed.

During the period 1994-95 to 1999-2000, GOI and State Government provided Rs 21.98 crore and Rs 26.40 crore respectively towards their share of subsidies to the promoter companies for setting up 49 CETPs at a project cost of Rs 133.36 crore including an institutional finance of Rs 34.58 crore and promoter's share of Rs 24.85 crore. As per the particulars furnished (November 2000) by the Board for the period ending 31 July 2000, 38 CETPs had been completed and were functional, 3 CETPs were under trial run and 8 CETPs were under progress. The funds involved under these works in progress were as given below.

(Rupees in crore)

Number of works in progress	Project cost	Subsidy received			Subsidy released to the Board			Subsidy released for the work	Insti-tutional Finance released	Promoter's share released
		State share	Central share	Total	State share	Central Share	Total			
8	19.42	3.62	2.52	6.14	3.62	0.93	4.55	2.26	NIL	4.22

Audit observed that though the proposed share of promoters for these CETPs were collected and utilised for the work, the institutional finance proposed (Rs 6.18 crore) was not released.

2 A company formed by the cluster of small scale industries for taking initiatives in installing CETPs for the industries.

3.1.5.3 Non-provision of Interlocking system

Despite issue of directions by the Central Pollution Control Board in November 1995, the interlocking system had not been provided by highly polluting industries.

Central Pollution Control Board directed (November 1995) the State Board to instruct the high polluting industrial units to interlock pollution control equipment with production machinery in such a way that production be automatically stopped in the absence of operation of pollution control equipment. Despite the issue of resolution by the State Board in May 1996 directing the high polluting industries to have the interlocking system within 3 months, the interlocking system had not been provided by these industries so far. The Board had no effective solution to the problem and merely stated (September 2000) that instructions were issued to the industries to find a way to install interlocking system with the consultation of technology experts and come up with a solution after having discussion with Joint Chief Environmental Engineers and District Environmental Engineers. The fact that even after 5 years of the instructions, the system is not in place anywhere suggests lackadaisical approach of the Board in the matter.

3.1.6 Other points of interest

3.1.6.1 Issue/Renewal of consent to industrial units

Though all new/existing industries have to obtain consent from the Board for renewal, 5107 industries are functioning in the State as of March 2000 without getting consent for renewal.

As per section 25/26 of the Water Act, all new/existing industries that discharge sewage or trade effluents have to obtain consent from the Board for their establishment and operation. The Board identifies industries which attract section 25/26 of the Act in a phased manner.

Out of 20532 units identified by the Board, 18229 units had applied for renewal of consent and as of March 2000, the same has been issued to 15425 units; 2303 units had not applied for consent (March 2000).

In respect of 198 large scale industries categorised as highly polluting, by GOI and which required close monitoring by the Board, there were huge arrears in renewing their consent. Even though all 198 units were remitting the consent fees annually, consent has been renewed for 52 units only for the year 1999-2000. In respect of the remaining 146 units, consent was not renewed by the Board on the plea that the units were being persuaded to upgrade their treatment plants and non-renewal would act as a check for further improvement. This would only indicate that the Board was lukewarm in the discharge of its statutory functions and was unable to implement the pollution control measures strictly in respect of these industries. It resorted to the postponement of renewal of consent to these industries as a temporary measure, but the industries continued to function even without renewal of consent by the Board.

The Board stated (November 2000) that based on the report of analysis of samples collected every fortnight and survey conducted annually, the industries were directed to carry out the required improvement measures and in case of non-compliance, show cause notices were issued. Accordingly, the Board had issued show cause notices to 38 industries between November 1999 and June 2000 and closure directions to 2 industries in March 2000 and August 2000. The fact remains that 144 highly polluting industries continued to function although their effluents had not been treated to the required standard.

3.1.6.2 Idle equipment

Equipment for analysing the samples of water and air effluents (value: Rs 2.64 crore), given by the World Bank to the Board and supplied to 11 district laboratories in May 1998 were kept idle without utilisation during the period May 1998 to April 2000 due to non-availability of gas for the operation of equipment. The Board permitted the laboratories to hire the requisite gas cylinders only in May 2000. Fresh tenders for the purchase of gas cylinders were under scrutiny (November 2000).

3.1.6.3 Water cess

A water cess, on the basis of quantity of water consumed, was levied by GOI through State Board on the local bodies and on certain specified industries. GOI is reimbursing 80 *per cent* of such water cess collected, to the State Board. An amount of Rs 14.87 crore was received by the Board through reimbursement of water cess during the period 1994-95 to 1998-99.

Audit observed that out of 540 local bodies, 14 local bodies only had paid the water cess and an amount of Rs 9.99 crore was due from 526 local bodies towards water cess for the period 1992-99.

The amount of water cess due from industries at the end of March 1999 was Rs 35.31 crore.

The water cess due from industries increased from Rs 8.20 crore as on 31 March 1994 to Rs 35.31 crore as on 31 March 1999, indicating that no effective action was taken to collect the dues.

The Board stated (November 2000) that out of Rs 35.31 crore, Rs 31.37 crore were due from Ennore Thermal Power Station (Rs 15.08 crore), North Chennai Thermal Power Station (Rs 8.20 crore) and Thoothukudi Thermal Power Station (Rs 8.09 crore) and the Board had addressed the Chairman, Tamil Nadu Electricity Board in this regard.

3.1.6.4 Unutilised subsidy

State Government ordered that the subsidies received from GOI and the State share released towards the establishment of CETPs were to be deposited in the deposit account of the Board. Though not required for utilisation immediately, the Board transferred Rs 6.36 crore from its deposit account to its current account and the amount was kept unutilised as of December 1999.

3.1.7 Monitoring of industries

3.1.7.1 Inspection of Industries

Inspection of industries was to be made by the officers according to the frequencies fixed in 1994 as follows.

	Large	**Medium**	**Small**
Red category (Highly polluting)	Once in a month	Once in two months	Once in three to four months
Orange category (Medium polluting)	Once in two months	Once in three months	Once in four to six months
Green category (Less polluting)	Once in three months	Once in six months	Once in a year

The inspections were required to be carried out by Assistant Engineers (AEs)/Assistant Environmental Engineers (AEEs) only. No specific target for inspection had been fixed for the officers above the level of AEs/AEEs.

There was a huge shortfall in inspection of large industries, in the 7 district offices covered by Audit. The shortfall ranged from 6 to 92 *per cent* in respect of Red category and from 28 to 100 *per cent* in respect of orange category industries during 1995-99. The monitoring of industries was thus highly unsatisfactory.

A number of posts of AE and AEE were vacant. Out of the 36 sanctioned posts of AEE, 14 posts were only operated and the remaining 22 posts were vacant and out of the 157 posts of AE, 89 posts were only operated and the remaining 68 posts were lying vacant (June 2000) of which 42 posts were vacant from 1996-97 onwards. The Board reported (September 2000) that it is taking action for filling up the posts in a phased manner taking into account the opening of new district offices and after considering the promotional aspects of the post of AEs to the post of AEEs.

3.1.7.2 After conducting inspections, the shortfalls, deficiencies etc. noticed during such inspections were intimated by the Board to the units inspected for carrying out necessary improvement for abatement of pollution. Nineteen industries covered by 6 district offices had taken no corrective action after inspection. Of this, 5 important cases are discussed below in brief.

(i) Ambur Cooperative Sugar Mills Limited

Consent to operate the unit was renewed in May 1998 subject to their closing of earthen tanks within one month, utilising the entire quantity of trade effluent for irrigation on their own land and stabilisation of ETP before the next crushing season so as to meet the standards fixed by the Board. The unit discharged effluent outside its premises, which reached Palar river and there was no marked improvement in the operation of ETPs as noticed by the Board during inspections in January 1999, June 1999 and January 2000. The unit did not comply with pollution control standards despite the issue of show-cause notices by the Board from 1997 onwards.

The Board stated (November 2000) that as per the orders of High Court, the unit had been requested to conduct study on the treatment system provided and added that the unit had closed the earthen pits.

(ii) Tamil Nadu Industrial Explosives Limited, Christianpet

Analysis of samples of trade effluents, collected in April and May 1997 revealed that the tolerance limits prescribed by the Board were exceeded because of the non-operation of ETP. District Environmental Engineer (DEE), Vellore found during inspections in June 1997 that the unit had not provided any treatment except neutralisation for the Soda ash plant. As the Industry had not repaired the 2 numbers of Neutralisation/settling tanks of ETP, it was directed to install a full-fledged ETP and STP early. The industry had not yet installed the ETP and a show-cause notice was issued by the Board in March 2000, to which no reply had been received (November 2000).

(iii) M/s. Kamar Chemicals and Industries Limited, Ranipet

Analysis of treated effluent samples collected from the Industry from September 1996 to August 1997 revealed that the same exceeded the tolerance limits permitted. The unit had not complied with instructions to arrest leakage and percolation by providing the requisite tanks; flow measuring device and sludge collection pit was not provided; the drain carrying effluents was found to be damaged and effluents were discharged on land outside the premises. No proper measures to control pollution were taken by the unit till date. Board issued show-cause notice in April 1999 and later gave directions in August 1999 to rectify the defects, but took no penal action.

(iv) M/s. NPKRR Cooperative Sugar Mills Limited, Thalai Nairu

Inspections conducted during March 1998 to October 1999 revealed that the pollution control standards were not adhered to, as the aeration tank was not in operation and trade effluent bye-passed and stagnated on land, molasses was stored in earthen pits affecting ground water, untreated effluent was pumped out to Public Works Department channel affecting the nearby agricultural land drawing water from the channel. There were huge public protests and complaints and the Board issued show-cause notices in May 1998 and March 1999. The unit has not adhered to the pollution control standards so far (March 2000). The Board stated that on inspection of the unit in June 2000, it was found that the unit had stored the molasses in steel tanks and the unit had been directed to utilise the entire quantity of treated trade effluent for irrigation.

(v) M/s ELGI Equipments Limited, Singanallur

The unit was given consent upto March 1992. When the unit applied for expansion in November 1995, the Board said that consent for such expansion would be given only after the industry obtained a no-objection certificate from the Ministry of Environment and Forests, GOI. Proposals for expansion, after due public hearing were sent to GOI in May 1999 and the clearance from GOI was awaited. However, during inspection in January 2000, Assistant Engineer, Coimbatore found the foundry expansion project and the heat treatment section had been commissioned without the consent of the Board. The DEE, Coimbatore informed the Board (August 2000) that the unit had not taken any action to stop the manufacture of additional products for which consent was not given and recommended for the issue of closure direction under section 33A of the Water Act or to issue direction to restrict the products manufactured.

3.1.7.3 The Board is empowered to take action against the erring industries under section 33A of the Water (Prevention and Control of Pollution) Act 1974, as amended in 1988 which include (a) the closure, prohibition or regulation of any industry, operation or process or (b) the stoppage or regulation of supply of electricity, water or any other service.

A perusal of the details collected from the Board and three district units revealed that though adequate action for abatement of pollution was not taken in the following cases, no penal action was taken by the Board on such erring industries, as contemplated in the Act, except issue of show-cause notice in certain cases.

(a) M/s Kovai Maruthi Paper and Boards Limited, Paramathi

Analysis of treated effluent samples collected in August/September 1998 showed that the parameters such as total suspended solids, total dissolved solids and sulphate exceeded the limits prescribed by the Board. Despite issue of warning by the Joint Chief Environmental Engineer in December 1998 the

Industry continued discharge of effluent without treatment. Subsequent analysis of samples collected from August 1999 to November 1999 revealed that the parameters fixed by the Board were not met. Though the Board could have taken action for the closure of the unit under Section 33 A of Water Act, it did not take any action so far (March 2000).

The Board stated (November 2000) that necessary instructions had been issued to the industry to revamp the existing ETP so as to improve effluent treatment facilities.

(b) M/s Coimbatore Pioneer Fertilizers Limited, Coimbatore

While renewing the consent to the Industry during 1995, Board demanded a time-bound schedule for providing Double Conversion and Double Adoption (DCDA) system instead of scrubber system for better pollution control and this condition was repeated every year after 1995 in the renewal consent order. The unit requested extension of time stating that the provision of DCDA would involve higher cost. As of March 2000, the unit had not provided the DCDA. Board stated (November 2000) that it had insisted the unit to give a time-bound schedule for this purpose.

(c) (i) M/s Sterlite Industries, Tuticorin

(ii) Ennore Thermal Power Station

Huge quantities of hazardous waste and solid waste in various forms had been stored within the premises of the units with the possibility of polluting the neighbourhood, especially during rainy season.

The Board stated (November 2000) that M/s. Sterlite Industries had placed an order on National Metallurgical Laboratory, Jamshedpur for identifying areas of effective utilisation of the graduated slag stored in the premises; Ennore Thermal Power Station had been addressed to improve the dry fly ash utilisation as per the notification issued in September 1999.

(d) (i) M/s Arignar Anna Sugar Mills Limited

(ii) M/s Chengalvarayan Cooperative Sugar Mills Limited

These two sugar mills stored about 6660 tonnes of molasses in earthen pits as of April 1999, which would cause pollution to the ground water. As per the conditions in the consent order and instructions issued by the Board in January 1999, molasses should be stored in steel storage tanks only. Despite issue of direction by the Board in June 2000, M/s. Arignar Anna Sugar Mills had not removed the molasses stored in earthen pit.

3.1.7.4 As per the particulars furnished (February 2000) by the Board, the Board prosecuted 321 industries during January 1985 to December 1999 under Water Act. The court had convicted 73 industries and acquitted 148 industries. 100 cases were pending as of December 1999.

3.1.8 Schemes implemented under the control of Directorate of Environment

3.1.8.1 The schemes "Coastal Monitoring Programme" and "National River Conservation Plan" commenced during the Eighth plan period were continued to be implemented during the Ninth plan period also.

3.1.8.2 The schemes "Pollution abatement in other rivers", "Eco-restoration of Udhagamandalam and Kodaikanal lakes", "Eco-restoration of certain other important lakes" proposed to be implemented by the Department of Environment during Ninth five year plan period were at the proposal stage only and the proposals had not been approved by Government as of March 2000.

3.1.8.3 National River Conservation Plan

GOI approved (July 1995) the proposal for prevention of pollution in river Cauvery in Tamil Nadu at a cost of Rs 38.20 crore under National River Conservation Plan (NRCP) to be implemented in a period of 10 years. Pollution abatement works in Cauvery river were being undertaken in the most polluted stretches of Erode, Bhavani, Komarapalayam, Pallipalayam and Tiruchirappalli. The project was implemented in the State as a Centrally sponsored scheme from 1996-97 onwards.

The project consists of two major components *viz.*, Core scheme and Non-core schemes. The core schemes[3] were executed by TWAD Board and the non-core schemes[4] were executed by the concerned local bodies. The expenditure on the project was equally borne by GOI and GTN for the year 1996-97. From April 1997, the entire expenditure was to be borne by GOI except the expenditure on land acquisition which was to be met by GTN only. The Director of Environment is the nodal agency for implementing the project.

Out of Rs 9.10 crore released by GOI upto March 2000, Rs 6.18 crore and Rs 2 crore were spent on Core and Non-core schemes.

As of March 2000, against the approved outlay of Rs 38.20 crore, Detailed Project Reports (DPRs) for the value of Rs 21.96 crore were got approved by GOI, who released Rs 9.10 crore to the State upto March 2000. Of this Rs 8.18 crore (core schemes; Rs 6.18 crore and non-core schemes; Rs 2 crore) were spent (November 2000).

(a) Due to change of technology and site conditions revised DPRs were prepared for 9 works (8 I & D and 1 STP)and sent to GOI during July 1999, of which 3 revised DPRs were approved by GOI (March 2000).

The revision of nine DPRs upto March 2000 involve an escalation of Rs 4.62 crore. As of March 2000, one I & D work (Stretch III) at Tiruchirappalli only was completed. Further delay in execution of work would result in more cost escalation.

b) Bhavani Municipality was provided with a grant of Rs 76.15 lakh in December 1997 for the implementation of non-core schemes of which Rs 44.53 lakh was incurred upto March 2000 leaving a balance of Rs 31.62 lakh unutilised. This included Rs 23.24 lakh provided for the construction of a compost yard, which was not taken up for want of suitable land.

---

3 Core schemes: Interception and diversion of sewage (I & D) (Rs 15.69 crore), Establishment of sewage treatment plants (STP) (Rs 13.86 crore).

4 Non-core schemes: Low cost sanitation (LCS): Rs 1.18 crore, Works on River Front Development (RFD) : Rs 1.14 crore, Wood-based Crematoria (WC) : Rs 0.05 crore, Solid waste disposal by providing compost yard (WC): Rs 0.20 crore, afforestation works: Rs 0.30 crore and community participation : Rs 0.35 crore.

c) According to the terms and conditions for the release of grants under the NRCP, the amount was to be kept in a bank account earning interest and the interest thus earned has to be reported to the NRCP Directorate and would be treated as a credit to the grantee, adjustable towards further instalment of grants. But, this had not been done either by the implementing agencies (TWAD Board and local bodies) or the monitoring agency (Directorate of Environment – DOE). TWAD Board continued to keep the funds in its deposit account, which carries no interest.

3.1.9 Non-utilisation of mandatory income for creation of pollution awareness and improving water quality

Despite availability of huge amount of Rs 43.73 crore, the Board had not formulated any programmes for creation of pollution awareness or for research to improve water quality in the State.

The Board had received Rs 44.72 crore by way of consent fees and sale of consent forms and Rs 14.87 crore through reimbursement of water cess during the period 1994-95 to 1998-99. Besides, an amount of Rs 8.15 crore had also been received by way of analysis charges through laboratories during the above period.

The Board is getting grants from GOI /State Government for pollution control schemes. As of March 1999, the Board had a surplus of income over expenditure to the tune of about Rs 43.73 crore and was relatively free to take up the important functions entrusted to them like pollution control awareness and mass education programmes, measures to encourage, conduct and participate in the investigations and research relating to problems, prevention, control or abatement of water pollution. However, it was observed that the Board had not spent any appreciable sums on any such activities apart from setting up new laboratories and conducting a few training programmes, seminars etc. through the Board's staff. The Research and Development Wing of the Board functioning from July 1995 with skeleton staff had also not done much except for a solitary project of Bio-treatment of tannery effluent by microbes at a cost of Rs 4.50 lakh.

3.1.10 Conclusion

As observed from an analysis of water samples, the water quality in the State had not improved since 1994 despite incurring of large investments. Based on a test-check of records for assessing the degree of compliance in the enforcement of law, rules and regulations relating to Water Act, audit perception is that the local bodies had not complied with the Water Act. The urban local bodies had not provided sewage treatment plants for treating the effluent water before letting into the water sources. The Board failed to properly monitor polluting industries; no follow up action was taken after inspection of polluting industries although the Board had powers to order closure. Thus, the services provided by the Board were ineffective. Equipment for analysing samples of water and air effluents remained idle for nearly 2 years due to non-availability of gas.

3.2 National Family Welfare Programme (Health, Indian Medicine and Homoeopathy and Family Welfare Department)

Summary Highlights

Of the demographic goals targeted to be achieved by the year 2000 in National Health Policy, State had achieved the envisaged goals for Crude Birth Rate, Crude Death Rate and Infant Mortality Rate well ahead; however, against the envisaged Effective Couple Protection Rate of 60 per cent by March 2000, the Couple Protection Rate in the State as of March 1999 was only 50.2. Specified targets under various maternal and child health activities like institutional deliveries, deliveries by trained staff, prophylaxis against blindness, immunisation with Tetanus Toxoid to children of age group 10 and 16 were not achieved during 1995-96 to 1999-2000, the period covered by Audit. The number of sterilisations conducted at Primary Health Centres was very small. Vasectomy operations conducted in the State were very meagre. Release and utilisation of funds under Reproductive and Child Health Programme, through which the maternal and child health care activities were co-ordinated, was very poor.

- **Against the national demographic goals of 21 per thousand towards Crude Birth Rate, 9 per thousand towards Crude Death Rate and below 60 per thousand live births towards Infant Mortality Rate to be achieved by the year 2000, the vital rates achieved by the State at the end of the year 1999 were 19.3, 8.0 and 52 respectively; however, the Infant Mortality Rate in Dharmapuri and Salem Districts were very high at 75 and 76 respectively; the Effective Couple Protection Rate achieved by the State at the end of March 1999 was 50.2 *per cent* as against the envisaged rate of 60 *per cent* to be achieved by the end of March 2000.**

(Paragraph 3.2.6.1)

- **The stress of adopting family planning continued to be focussed on women as evidenced from the fact that Vasectomy operations were less than 0.2 *per cent* of the total sterilisations conducted during the period 1995-2000.**

(Paragraph 3.2.6.2)

- **The specified targets for various maternal and child health services like institutional deliveries, deliveries by trained staff, taking of birth weight for new born babies had not been achieved during 1995-96 to 1999-2000. Shortfalls were noticed in providing services like prophylaxis against Nutritional Anaemia for Women, prophylaxis against blindness due to Vitamin A deficiency and immunisation with Tetanus Toxoid to children of 10 and 16 years age.**

(Paragraphs 3.2.6.3(a) and (d))

- **Linkages between Primary Health Centres and First Referral Units were not properly established and feedback particulars of treatment given were not available in the referring units.**

(Paragraph 3.2.6.3(e))

Abbreviations used in this review are listed in the Glossary in Appendix XLVII (Page 276).

- **Operation theatres in most of the Primary Health Centres in 6 districts were not in use; the number of sterilisations conducted in the operation theatres in the sample districts was also very poor ranging between 1 and 11 *per cent* of the total sterilisations conducted in the Health Unit districts concerned.**

(Paragraph 3.2.6.4)

- **Release and utilisation of funds under the "Reproductive and Child Health Programme" during the first three years was very poor; against the projected assistance of Rs 119.57 crore for the programme for the first 3 years, only Rs 10.70 crore were released by Government of India and Rs 7.16 crore were utilised upto March 2000; Rs 1.26 crore for minor civil works and Rs 0.29 crore for purchase of medicines were lying unutilised with the Executive Engineers of Public Works Department and Tamil Nadu Medical Services Corporation respectively.**

(Paragraph 3.2.11.2)

- **Out of Rs 5.35 crore released under Tamil Nadu Area Health Care Project, an amount of Rs 2.88 crore was lying unutilised with various Medical Officers as of March 2000 in Dharmapuri District due to delay in construction of Health sub-centres.**

(Paragraph 3.2.14.2)

- **Rupees 5.50 crore were lying unutilised as of March 2000 with Tamil Nadu Medical Services Corporation out of Rs 7.18 crore released during 1997-99 by Project Director, Tamil Nadu Area Health Care Project for various purposes like improvement, repairs, construction, provision of furniture, medical equipment and for strengthening of medical supply infrastructure.**

(Paragraph 3.2.14.3)

- **Short supply of oral pills, Copper T, Vitamin A and Iron and Folic Acid tablets to the tune of Rs 2.47 crore was noticed during the period 1995-98.**

(Paragraph 3.2.16)

- **Expenditure of Rs 14.58 crore incurred towards travelling allowance to motivators, travel expenses and cost of staff of units was booked under the programme contrary to the guidelines of Government of India.**

(Paragraphs 3.2.17.1 and 3.2.17.2)

- **Excess amount of Rs 4.55 crore was claimed during 1995-96 to 1998-99 towards charges on Direction and Administration and Contingencies.**

(Paragraph 3.2.17.3)

3.2.1 Introduction

Government of India (GOI) started the National Family Planning Programme in 1951 as a purely demographic programme with a clinical approach and the Family Welfare (FW) Programme was introduced as a target oriented programme in the First Five Year Plan in 1952.

The target-oriented approach of the programme was replaced by "Target Free Approach" from 1995-96 onwards and renamed as "Community Needs Assessment Approach" under which the needs of the community were assessed based on the requirement of the people for Maternal and Child Health (MCH) services.

3.2.2 Objectives and goals

3.2.2.1 The main objectives of the Programme were (i) to bring down the birth rate and death rate through various family planning measures and temporary methods of birth control (ii) to persuade people to adopt small family norms by popularising the use of conventional contraceptive devices or oral pills etc., and (iii) to provide medical services, medicines, incentives, etc free of cost at the doorsteps of the acceptors of family planning measures.

3.2.2.2 National Health Policy (NHP) approved by the Parliament in 1983 envisaged attainment of two goals of "Health for all" and "Net Reproductive Rate of unity" by the year 2000 AD through universal provision of comprehensive health care services to all and an easy access to family planning and MCH care facilities. The demographic goals laid down in NHP for 2000 AD are (i) Crude Birth Rate (CBR): 21 per thousand (ii) Crude Death Rate (CDR): 9 per thousand (iii) Annual Natural Growth Rate: 1.2 *per cent* (iv) Infant Mortality Rate (IMR): below 60 per thousand live births (v) Effective Couple Protection Rate (CPR): 60 *per cent*. State Government, however, laid down their own demographic goals as detailed in paragraph 3.2.6.1.

3.2.3 Organisational setup

Secretary, Health and Family Welfare Department of the State Government is responsible for implementation of the Programme at Government level. The Directorates implementing the programme at State level and the functions attached to them are given in Appendix XVI. At the district level, Deputy Directors of Health Services (DDHS) and Deputy Directors of Medical and Rural Health Services (DDMRHS) in charge of District Family Welfare Bureaux (DFWB) are implementing the programme.

The programme is implemented through 10899 units[1] in the State.

Apart from these units, voluntary organisations, approved and unapproved private nursing homes are also involved in the implementation of the programme and their achievements are also included in the performance reports.

3.2.4 Audit coverage

A review of the FW programme including Area Development projects was conducted earlier for the period 1985-86 to 1991-92 and included in the Report (Civil) of the Comptroller and Auditor General of India for the year ended March 1993. The State Public Accounts Committee discussed the

[1] Primary Health Centres (PHC): 1409, Health Sub-centres (HSC): 8682, Post Partum Centres (PPC): 118, Rural Family Welfare Centres (RFWC): 382, Urban Family Welfare Centres (UFWC): 65 and Urban Health Posts (UHP): 243.

Report in July 1997 and recommendations on the same were awaited (May 2000).

During the current review, the implementation of the programme during 1995-96 to 1999-2000 was test-checked during November 1999 to May 2000 in Health and FW Department of the State Secretariat, offices of the Director of Family Welfare (DFW), Director of Public Health and Preventive Medicine (DPHPM), Project Director, DANIDA assisted Tamil Nadu Area Health Care Project (TNAHCP), Project Director of Reproductive and Child Health, Population Project Co-ordinator of Corporation of Chennai, besides 9 out of 42 offices of DDHSs, 6 out of 25 offices of DDMRHS, 15 Post Partum Centres (PPCs),55 Primary Health Centres(PHCs)/Rural Family Welfare Centres (RFWCs), 5 Urban Family Welfare Centres (UFWCs), 8 Urban Health Posts and 405 Health Sub-centres (HSCs) in the 6 sample districts[2].

The findings of the review are discussed in the succeeding paragraphs.

The services of the ORG centre for Social research, a division of ORG Marg Research Limited was commissioned by the Comptroller and Auditor General of India, with a view to obtaining the beneficiary perception of the programme and related matters. The ORG Marg carried out survey over a sample, determined on the basis of socio-cultural characteristics and development status. The sample covered in Tamil Nadu included 1887 households (647 urban and 1240 rural), 1473 women and 42 health facilities. Findings of the survey on matters discussed in the report have been included in this review at appropriate places.

3.2.5 Resource allocation and utilisation

Family welfare programme is a 100 *per cent* Centrally sponsored scheme right from its inception. The entire expenditure incurred by the State under the programme is reimbursable by the Central Government in strict conformity with the approved pattern of schemes. However, the recurring grant for Orientation Training of Medical and Para-Medical personnel is admissible on 50:50 sharing basis between GOI and the State Government and the components covered under this are rent for hostel, contingency, consumable for training material, additional teaching staff and class-rooms for the Health and Family Welfare Training Centres (HFWTCs) and stipend for trainees.

Details regarding assistance received from GOI and total expenditure under the programme as per the claims made by DFW are as given below:

(Rupees in crore)

Year	Assistance released by GOI			Expenditure incurred		
	Cash	**Kind**	**Total**	**Cash**	**Kind**	**Total**
1995-96	59.06	19.77	78.83	94.73	19.77	114.50
1996-97	53.50	NIL	53.50	89.23	NIL	89.23
1997-98	64.05	40.02[3]	104.07	101.89	40.02	141.91
1998-99	71.25	26.12	97.37	149.16	26.12	175.28
1999-2000	#	#	112.32	#	#	164.78

\# **Break-up details not made available**

---

2 Cuddalore, Dharmapuri, Erode, Kancheepuram, Madurai and Salem.

3 Cost of supplies during 1996-97 was accounted during 1997-98.

Government/Departments incurred expenditure based on the provisions made under various Centrally sponsored schemes under the programme with reference to the trend of expenditure of earlier years and claims from GOI were made by the DFW every year based on the audit certificate. All arrears upto 1997-98 had been fully settled by Government of India and expenditure incurred in 1998-99 and 1999-2000 was due for reimbursement from GOI. Expenditure incurred includes Rs 19.13 crore which was inadmissible for reimbursement from GOI as explained in paragraphs 3.2.17.1 to 3.2.17.3. Apart from utilisation of Central assistance, expenditure was incurred from State funds to the tune of Rs 62.87 crore during 1995-2000 towards payment of some of the items under compensation to acceptors, grants to Municipalities for implementation of MCH activities among urban population etc.

3.2.6 Programme output

3.2.6.1 Achievement of demographic goals

(i) Birth Rate, Death Rate and Infant Mortality Rate

Against the national demographic goals of 21 per thousand towards Crude Birth Rate (CBR), 9 per thousand towards Crude Death Rate (CDR) and below 60 per thousand live births towards Infant Mortality Rate (IMR) under the NHP, the vital rates achieved by the State as per the Report of the Registrar General, New Delhi under sample registration system are as given below:

Year	BR[4]			DR[5]			IMR[6]		
	Rural	Urban	State as a whole	Rural	Urban	State as a whole	Rural	Urban	State as a whole
1995	21.0	19.0	20.3	8.8	6.6	8.0	61	39	54
1996	20.0	18.4	19.5	8.7	6.6	8.0	60	39	53
1997	19.3	18.3	19.0	8.7	6.7	8.0	58	40	53
1998	19.7	18.1	19.2	9.3	6.8	8.5	59	40	53
1999 (provisional)	19.8	18.2	19.3	8.7	6.6	8.0	58	39	52

The vital rates in urban areas were much lesser than the rural areas due to better living conditions and institutional facilities.

The difference in vital rates between rural and urban areas was attributed (December 1999) by the DPHPM to better living conditions, socio-economic status and better institutional facilities available in urban areas with latest technologies. The adverse ratios in rural areas were mainly due to vacancies in the posts of doctors, non-functioning/poor functioning of operation theatres in PHCs for want of infrastructural facilities and poor referral linkages as discussed in subsequent paragraphs.

As per the survey conducted by the DPHPM under DANIDA Tamil Nadu Area Health Care Project, the vital rates achieved by the sample districts during 1998 and 1999 were as given below.

---

[4] BR: $\frac{\text{Number of live births in a given area during the year}}{\text{Estimated mid-year population of that area for that year}}$ X 1000

[5] DR: $\frac{\text{Number of deaths in a given area in a year}}{\text{Estimated mid-year population of that area for that year}}$ X 1000

[6] IMR: $\frac{\text{Mortality of infants upto one year of birth during the year}}{\text{Total number of live births during the year}}$ X 1000

Name of the District	BR		DR		IMR	
	1998	1999	1998	1999	1998	1999
Chennai	17.4	16.2	4.4	3.5	14.3	16.0
Cuddalore	20.2	20.1	6.9	6.1	38.7	37.0
Dharmapuri	28.1	25.7	9.1	8.4	80.7	75.0
Erode	16.3	16.3	7.5	6.7	42.9	37.0
Kancheepuram	18.3	19.6	5.5	5.6	27.3	27.0
Madurai	19.5	19.5	7.5	7.4	44.5	43.0
Salem	20.6	20.7	7.7	7.0	73.3	76.0

Infant Mortality Rate in Dharmapuri and Salem Districts were very high mainly due to the prevailing high rate of female infanticide and the backwardness of the districts.

The district-wise details revealed that the IMR was very high in Dharmapuri and Salem districts compared to the State vital rate of 53 and 52 per thousand live births during 1998 and 1999 respectively. The DFWBs, Dharmapuri and Salem and DDsHS at Krishnagiri and Dharmapuri stated (January, March, April and June 2000) that the main reason affecting the vital rates of the District was the high rate of female infanticide and the backwardness of the district. Inaccessible areas due to geographical location, low-literacy, low-economic status and poor acceptance of family planning methods were the other reasons contributing to the higher IMR. The reply only validates the assertion made in paragraph 3.4.5.2 of the Report of Comptroller and Auditor General of India for the year ended March 1999 – Civil - Government of Tamil Nadu that despite the Government schemes like Girl Child Scheme, Cradle Baby Scheme etc., the incidence of female infanticide remains high in these districts and it deserves highest attention of Government.

The State Family Planning Council chaired by the Chief Minister of the State, in its first meeting held on 4 November 1993 fixed certain demographic goals for the state *viz.*, IMR to be reduced to 30 per thousand live births by the year 2000. In addition, the Birth Rate was to be reduced to 15 per thousand population by the year 2000 and to 10 by 2010. The goals for 2000 had not been achieved.

DFW stated (December 1999) that due to the adoption of target free approach as per GOI instruction, some sort of slackness was noticed in the performance levels due to lethargy of field staff and grassroot level workers.

(ii) Effective Couple Protection Rate (CPR)

The Couple Protection Rate achieved by the State as on 31 March 1999 was only 50.2 *per cent* as against the national goal of 60 *per cent* by March 2000.

Against the envisaged national demographic goal of 60 *per cent* for CPR by March 2000, the CPR achieved, as of 31 March of the years 1996 to 1999, had actually decreased from 54.1 in 1996 to 50.2 in 1999, as given below:

As on 31 March of	Number of Eligible Couples (EC)[7]	Number of ECs effectively protected[8]	CPR
1996	1,00,05,655	54,16,985	54.1
1997	1,01,14,393	53,52,797	52.9
1998	1,02,17,534	53,47,071	52.3
1999	1,06,76,686	53,54,673	50.2

[7] Eligible Couple in which the woman is in the age group of 15 to 44 years.

[8] Number of ECs effectively protected was on the basis of effectiveness of the FW methods adopted, 100 *per cent* for sterilisation, 95 *per cent* for Intra Uterine Devise (IUD), 50 *per cent* for Conventional Contraceptive (CC) users and 100 *per cent* for Oral Pill (OP) users.

The DFW stated (December 1999) that over the years the eligible couples preferred temporary methods like IUD to permanent method of sterilisation and this had resulted in the reduction of CPR.

An analysis of figures in 29 districts revealed that the CPR, as of March 1996, 1997, 1998 and 1999 was much below the State average in 14 districts (Appendix XVII) and was also declining year after year and it was very difficult to achieve the demographic goal of 60 *per cent* by March 2000. Though it was reported by DFW that the district-wise CPR was being monitored at Government/Directorate level, the continued decline in CPR in these districts clearly revealed that the monitoring had not achieved the desired objective.

(iii) Total Fertility Rate

The Total Fertility Rate (TFR) is interpreted as the number of children a women would bear during her reproductive years (15 to 44 years). The TFR of the State ranged between 2.2 to 2.0 during the period 1995 to 1998 and the figures for the years 1999 and 2000 are yet to be made available.

3.2.6.2 Family Planning Methods

The achievements under different family planning methods in the State during 1995-96 to 1999-2000 are furnished in the Appendix XVIII.

(a) Tubectomies and Vasectomies

Stress of adopting family planning methods continued to be focussed on women as seen by the poor number of Vasectomies conducted in the State.

It was observed that the stress on adopting family planning continued to be focussed on women as evidenced from the fewer number of vasectomy operations conducted in the State; while the percentage of tubectomies to total sterilisations in the State ranged between 86.9 and 89.2 during 1995-2000, the percentage of vasectomies performed was only between 0.1 and 0.2 during the same period. As per opinion of 6 DDMRHS covered by test-check, vasectomy was not popular due to social and personal reasons.

The programme was being implemented on the basis of Community Needs Assessment Approach from 1 April 1995 under which the demand of the community for quality services was expected to become the driving force behind this people's programme. While the achievements under female sterilisation ranged between 60 and 81 *per cent* of the targets during 1995-2000, the achievement under male sterilisation worked out to a meagre 0.2 to 0.9 *per cent* of the targets which were set for each Health Inspector (HI) and Village Health Nurse (VHN).

The Beneficiary assessment survey also revealed that about 97 *per cent* of current users of Family Planning methods had adopted female sterilisation and only 1.8 *per cent* adopted vasectomy.

A perusal of the institution-wise achievement under sterilisation in the State during the last 3 years revealed that 56 to 59 *per cent* of sterilisations were done in Government Hospitals and 22 to 24 *per cent* in approved nursing homes as given below:

Serial Number	Category	Number of sterilisations done during		
		1997-98	1998-99	1999-2000
1	Government	1,95,798	1,98,385	2,11,123
2	Local bodies	13,985	14,211	14,798
3	Voluntary organisations	34,964	36,752	43,777
4	Approved nursing homes	74,592	74,001	88,123
5	Unapproved nursing homes	13,652	13,411	15,874
Total		**3,32,991**	**3,36,760**	**3,73,695**

Data obtained in this connection in 2 districts (Madurai and Salem) revealed the following:

(i) While the performance of one voluntary organisation i.e., Family Planning Association of India, Madurai constituted about 56 *per cent* (47,381) of the total sterilisation (84,635) operations done in the district during 1995-2000, the performance of Government Hospitals (23,416) and PHCs (847) constituted only 29 *per cent* during the same period. The DDMRHS, Madurai stated (February 2000) that the poor performance was due to non-availability of continuous services of Doctors and required number of Anaesthetists in Government hospitals.

(ii) In Salem, out of 93,808 sterilisations performed during 1995-2000, 82 *per cent* were in approved nursing homes and only 16 *per cent* were in Government Hospitals. DDMRHS, Salem stated (August 2000) that the poor performance was mainly due to non-functioning of operation theatres in some Government institutions and want of qualified Anaesthetists.

(b) Laparoscopy

The percentage of laparoscopic operations as compared to the total female sterilisations in the State during 1997-2000 ranged only between 11 and 12. No laparoscopic operations were performed in the districts of Dharmapuri and Tiruvannamalai and the performance was very poor in Namakkal, Theni and Vellore. The poor performance was attributed (December 1999) by DFW to mothers not preferring laparoscopy and the same could not be forced under the new target-free approach.

3.2.6.3 Maternal and Child Health Services

(a) The services under intervention for mothers were early registration of pregnancy in the first 12 to 16 weeks; ante-natal, natal and post-natal care with 3 pre-natal and 3 post-natal check ups by VHNs for early detection of complications of anaemia, bleeding, ante post-partum haemorrhage, post-partum haemorrhage, toxemia of pregnancy, obstructed labour and sepsis, prevention of maternal mortality and morbidity by referring complications noticed during pre/post natal check-ups for taking early necessary action; and immunisation with Tetanus Toxoid (TT), prophylaxis with Iron and Folic Acid (IFA) tablets and Vitamin A solution.

Under child health interventions, care was provided to infants born in hospitals, high-risk infants referred from the other hospitals were treated and immunisations/Vitamin A/IFA tablets were provided to all children.

The percentage of achievement under basic MCH activities during the period 1995-2000, as reported by DPHPM were as given below.

	Name of the component	Target fixed	Achievement				
			1995-96	1996-97	1997-98	1998-99	1999-2000
1.	Ante-natal registration	Full (100%)	100.0	99.0	95.3	93.5	100.0
2.	Institutional deliveries	Full (100%)	75.1	78.3	79.8	81.8	83.9
3.a)	Deliveries by trained staff	Full (100%)	94.6	96.1	96.7	97.4	98.0
b)	Deliveries by untrained staff	Zero	5.4	3.9	3.3	2.6	2.0
4.	Birth weight taken for new born babies	Full (100%)	91.1	95.0	95.8	96.8	98.4

% : Per cent

Except for ante-natal registration, the specified target had not been achieved under other components as of March 2000.

Belated registration of pregnancy by Village Health Nurses led to non-detection of complications during the early pregnancy period.

(b) Registration of pregnancy was done by VHNs in most of the cases belatedly after the prescribed period of 12 to 16 weeks. This belated registration coupled with the poor pre-natal visits by VHNs resulted in non-detection of complications during the early pregnancy period.

(c) Against the prescribed 3 ante-natal and 3 post-natal check-ups to be made by VHNs, the average number of visits for both in the sample districts worked out to 1 and 2 only during 1998-99 and 1999-2000.

(d) The achievements under other MCH activities like prophylaxis treatments and immunisation during the period 1995-2000 for the State as a whole are given in the Appendix XIX.

Shortfalls were noticed under the main maternal and child health services.

The Beneficiary assessment survey also reported that the utilisation of post-natal services was found to be poor and only around one-third of the women received advice on family planning during antenatal and post-natal period.

It was observed that there were shortfalls under the services like prophylaxis against Nutritional Anaemia for women, prophylaxis against blindness due to Vitamin A deficiency, and immunisation with TT to children of 10 and 16 years age. Though no reasons for these shortfalls were furnished by DPHPM, it was observed from the report of DPHPM to GOI in October 1998 that the campaign of Vitamin A was not successful and the targets fixed were not achieved due to non-availability of Vitamin A.

(e) Non-establishment of referral linkages

Feed back particulars regarding the treatment given in high risk cases referred were not received by the referring centres.

State Governments were required to give appropriate directions regarding referral of high risk women during pregnancy, labour and post-natal period, to appropriate referral centres for immediate attention to avoid any mishap. The referring centre should get feedback regarding proper attention of high-risk patients by the specialists. Records of such referred women are required to be maintained at all levels for follow-up action. VHNs were required to visit the referred woman every week during her ante-natal, natal and post-natal period for follow-up and update the records and inform the referral centre for advice and treatment.

According to the DPHPM, 4,55,874 high-risk cases were referred to specialists during 1995-2000. Scrutiny of records in the field units disclosed that cases were referred to PHCs/First Referral Units (FRUs) due to various reasons such as anaemia, bleeding, previous caesarian, multi-gravida, elderly primi, short primi, prolonged labour, foetal distress, mobile head, ante post partum/post partum haemorrhage, non-availability of blood, etc. The referring centres were not getting feedback regarding the treatment given to the referred women by specialists at the referral centres, for taking further follow-up action. The VHNs reported that they were following up the cases during their field visits but no recorded evidence was available for the follow-up. Also cards in 3 colours, suggested by GOI, for printing and supply to PHCs and patients to ensure proper functioning of the follow-up system in these referred cases were not printed. Test-check of records revealed that in one FRU *viz.*, Government Hospital, Krishnagiri, out of 124 high risk-women reported during February 1999-March 2000, 67 cases were referred to some other higher institutions due to non-availability of Gynaecologists/ Anaesthetists/ Paediatricians.

It was obvious that referral linkages were not properly established, as envisaged by GOI.

3.2.6.4 Non/poor utilisation of Operation theatres in PHCs in sterilisation programme

Performance of Operation Theatres in PHCs in the sample districts was very poor.

A perusal of records in the 6 sample districts revealed that the Operation Theatres (OTs) in most of the PHCs were not put to use and no sterilisations were conducted as indicated below:

District	Number of PHCs wherein OTs are available	Number of PHCs wherein OTs were not put to use and no sterilisations conducted during		
		1997-98	1998-99	1999-2000
Cuddalore	17	7	8	11
Dharmapuri	14	12	12	11
Erode	16	14	14	13
Kancheepuram	13	Not available	11	11
Madurai	12	4	9	7
Salem	20	20	20	20

Though 59,979 sterilisations were conducted in Salem district during 1997-98 to 1999-2000, no sterilisations were conducted in the OTs in any of the 20 PHCs. The performance of OTs in the PHCs in the other 5 sample districts during the last 3 years was also very poor and the percentage of sterilisations conducted in PHCs to total sterilisations in these districts ranged only between 1 and 11.

District	Number of sterilisations done in PHCs					
	1997-98		1998-99		1999-2000	
	Number of PHCs	Number of cases	Number of PHCs	Number of cases	Number of PHCs	Number of cases
Cuddalore	10	1277(11)	9	673(6)	6	400(3)
Dharmapuri	2	895(7)	2	725(5)	3	342(2)
Erode	2	432(3)	2	325(2)	2	703(4)
Kancheepuram	2	230(2)	2	409(3)	2	388(3)
Madurai	8	169(1)	3	159(1)	5	248(1)

(Figures in brackets indicate the percentage to total sterilisations in the district)

Repairs/damages to OTs, non-receipt of certification after swab testing, non-availability of infrastructural facilities like water, non-availability of staff including Anaesthetist were the main reasons attributed by 6 DDsHS for the poor performance of the Operation Theatres in PHCs.

3.2.7 Manpower position

Shortages in some of the critical posts in rural areas as on 30 April 2000, are given below:

	Serial Number	Category of Post	Number of posts sanctioned	Number in position as on 30 April 2000	Number of vacant posts as on 30 April 2000
HSCs	1	VHN	10,594	10,429	165
	2	Health Inspectors	4,342	3,992*	350
PHCs	3	Medical Officer-Surgeon/ Assistant Surgeon	2,875	2,067	808
	4	Sector Health Nurse	1,495	1,386	109

* **as on 30 September 1999.**

The vacancies in the critical posts of Medical Officer-Surgeon/ Assistant Surgeon caused shortfall in achievements in important areas like conducting of sterilisation operations, provision of MCH services, treatment of referral cases etc., which affected the programme as discussed in paragraphs 3.2.6.2 to 3.2.6.4.

3.2.8 Schemes implemented under the programme

To achieve the demographic goals laid down through various family welfare activities, the following programmes/schemes are being implemented in the State (i) Minimum Needs Programme (ii) Sterilisation Bed Scheme (iii) All India Post Partum Programme (iv) PAP Smear Test Facility Programme (v) Population Research Centre Scheme (vi) Child Survival and Safe Motherhood (CSSM) Programme redesignated as Reproductive Child Health (RCH) Programme.

3.2.8.1 Minimum needs programme - Establishment of Health Sub-centres

Family welfare services were provided to the community through a network of HSCs, PHCs and Community Health Centres (CHCs) in the rural areas and hospitals/dispensaries in the urban areas. This network was supported by an expanding number of Post Partum Centres (PPCs) at district/sub-district levels.

Under the Minimum Needs Programme, one sub-centre for every 5,000 population (3,000 for tribal, desert and hilly areas), one PHC for every 30,000 population (20,000 for tribal and hilly areas) and one CHC for one lakh population would be set up by 2000AD in a phased manner.

Coverage of higher population than prescribed by 24 HSCs was noticed in 3 sample districts.

As per the data furnished by DPHPM, against 9,182 HSCs to be established as per norms in the State, 8,682 HSCs were functioning as of March 2000. No proposals were made by DPHPM for establishment of additional HSCs, resulting in coverage of more population by certain HSCs than the norms, thus diluting the efficacy of the services rendered. Test-check of records revealed that 18 HSCs in 3 districts (Dharmapuri, Erode and Kancheepuram) were covering population ranging between 10,100 and 14,591; Thalavadi PHC of Erode district, a hill area having a population 31,855, had only 6 HSCs against the required 10 HSCs. Inadequate number of HSCs in the State contributed to deficiencies in the services like belated registration of pregnancies, lesser number of pre/post natal visits and non-achievement of targets under the prophylaxis coverage of women and children with IFA tablets and Vitamin A solution as discussed in paragraph 3.2.6.3.

The Beneficiary Assessment survey also showed that the Primary Health Centres covered, on an average, a population of 1,00,925 which is much higher than the norm.

3.2.9 Medical Termination of pregnancy

Medical Termination of Pregnancy (MTP) is permissible under certain conditions under the MTP Act, 1971. MTP conducted in unauthorised places with improper facilities and by unqualified/ inexperienced staff is the cause for many deaths and morbidity.

The performance under MTP in the approved institutions including the PHCs during the period 1995-2000 were as given below:

Year	Number of institutions approved for MTP	Total MTPs done during the year (Number)	Number of PHCs		Number of MTPs done by PHCs	Percentage of MTP done to total MTPs
			Approved for MTP	Conducting MTP		
1995-96	660	42,314	271	138	150	0.4
1996-97	718	43,066	262	183	921	2.1
1997-98	788	49,954	249	156	709	1.4
1998-99	907	56,206	243	159	988	1.8
1999-2000	906	59,272	261	136	903	1.5

Out of 403 PHCs provided with operation theatres in the State as on 31 March 2000, 261 PHCs were approved for conducting MTP as on that date, of which only 136 PHCs were conducting MTPs. The percentage of MTPs done by these PHCs to total MTPs done in the State during the period 1995-96 to 1999-2000 ranged between 0.4 and 2.1 as indicated above.

As per the Beneficiary Assessment survey, only about 13 *per cent* of respondents were found aware of the place for availing MTP services.

Poor performance under Medical Termination of Pregnancy by the PHCs having operation theatres.

Non-availability of Gynaecologists and other trained staff including Anaesthetist for performing MTPs (Cuddalore, Erode and Madurai), non-availability of required equipment (Madurai), non-functioning of Operation theatres due to repairs and damages (Salem), non-availability of potable water (Cuddalore and Salem) were some of the reasons attributed by the District officers for the poor performance of PHCs in this activity. The DDMRHS, Kancheepuram stated (June 2000) that the poor performance was due to hesitancy on the part of their Medical Officers to conduct MTP on account of their being raw recruits to the PHCs, location of PHCs in remote areas and some mothers do not want to have the MTP conducted in their area PHCs and opt for nearby hospitals and private nursing homes to keep confidentiality.

3.2.10 PAP Smear Test Facility Programme

The PAP Smear Test Facility (STF) Programme was introduced by GOI in 25 Medical Colleges on pilot basis from 1977 for early detection of Cervical Cancer among women. The programme was extended in a phased manner during the subsequent period. One post of Cyto-technician was provided in each Medical College Hospital Post Partum Centre for collecting and examining smears from women and reporting the results.

Post of Cyto-technician for implementing the PAP Smear Test Facility Programme in 6 medical colleges was vacant.

As against 9 PPCs attached to medical colleges in the State, wherein the STF was introduced by GOI, only 8 colleges were implementing the programme; the post of Cyto-technician was filled up only in 3 colleges. Though the DFW attributed (May 2000) the non-filling up of these posts to dearth of qualified candidates, specific action taken to overcome this difficulty was not reported by him. The Christian Medical College Hospital, Vellore was not implementing the programme stating that the funds allotted for the programme were inadequate.

Perusal of connected records relating to the programme in 2 Hospitals revealed the following.

(i) In the Institute of Obstetrics and Gynaecology and Government Hospital for Women and Children, Chennai the post of Cyto-technician was vacant. Though the data on the number of smears collected, examined etc., were furnished in the progress reports for the period 1995-96 to 1999-2000, the Project Officer had not given details of the persons who had attended to this work in the absence of Cyto-technician and their qualification.

(ii) In Government Rajaji Hospital, Madurai, out of 751 women referred for treatment, with infection and pre-cancerous growth, only 135 (18 *per cent*) were reported to be under treatment and subsequently cured as per the reports made available to Audit. The Project Officer had no records of number of smear tests conducted and the results of the smear tests.

The details regarding the number of women treated and follow up action taken were not available in both institutions.

3.2.11. Child Survival and Safe Motherhood Programme

3.2.11.1 Universal Immunisation Programme (UIP), Oral Rehydration Therapy (ORT) and various other related programmes under MCH were integrated under Child Survival and Safe Motherhood Programme (CSSM) upto 1997-98. The programme was redesignated as "Reproductive and Child Health Programme" from 1997-98.

3.2.11.2 *Reproductive and Child Health Programme (RCHP)*

Against the projected assistance of Rs 119.57 crore for the first three years of Reproductive and Child Health Programme, GOI released Rs 10.70 crore and State Government utilised Rs 7.16 crore upto March 2000.

The objective of RCHP was to integrate fertility regulation, maternal and child health with reproductive child health services such as screening, diagnosis and treatment of Reproductive Tract Infections (RTIs) and Sexually Transmitted Infections (STIs) with the aim to reduce infant and maternal mortality/morbidity and unwanted fertility.

The programme consisted of 2 components *viz*., National component and District/sub project component and the estimated amount of assistance for 5 years from 1997-98 for these components were Rs 182.97 crore and Rs 23.14 crore respectively. The details of grants released and expenditure incurred upto March 2000 under the Project are as given below.

(Rupees in lakh)

Year	Funds released by GOI				Total	Expenditure incurred		
	National project		Sub-project			National Project	Sub-project	Total
	Amount	Month of release	Amount	Month of release				
1997-98	345.00	March 1998	500.00	February and March 1998	845.00	Nil	Nil	Nil
1998-99	Nil	Nil	Nil	-	Nil	125.14	164.47	289.61
1999-2000	Nil	Nil	225.00	March 2000	225.00	220.00	206.64	426.64
	345.00		**725.00**		**1070.00**	**345.14**	**371.11**	**716.25**

As of March 2000, Rs 353.75 lakh were lying unutilised with the Project Director, RCHP.

The following observations were made in this regard.

(i) Of the projected assistance of Rs 101.39 crore for the first 3 years for the National component, GOI released only Rs 3.45 crore (3.4 *per cent*) and the same was reported as fully utilised. Similarly, for the District/sub-project component, out of the assistance of Rs 18.18 crore projected for the first 3 years, GOI released only Rs 7.25 crore (39.9 *per cent*) upto March 2000, of which only Rs 3.71 crore[9] were utilised.

Rs 1.26 crore were still lying unutilised in Personal Deposit accounts of Executive Engineers.

(ii) Further, out of Rs 3.45 crore released for National Project towards provision of infrastructure in HUDs, only Rs 2.20 crore were released and Rs 1.26 crore were lying unutilised in the Personal Deposit accounts of Executive Engineers of 26 Public Works divisions.

Amount released to Tamil Nadu Medical Services Corporation was shown as expenditure, while it was utilised only in next year.

(iii) Besides, the amount of Rs 125.14 lakh released (March 1999) under National component to Tamil Nadu Medical Services Corporation (TNMSC) for supply of medicines, Rs 21.60 lakh were also released (March 1999) to TNMSC under the sub-project. As of March 2000, only Rs 118.18 lakh were utilised towards purchase of drugs, cotton bandage and cotton rolls for PHCs/FRUs and an amount of Rs 28.56 lakh was lying unutilised with TNMSC.

(iv) The Beneficiary Assessment Survey found that in majority of the facilities, medical officers were not trained in deliveries. Only one-fifth of the

[9] Salary : Rs 0.84 crore, Medicines : Rs 0.09 crore, Clothing and tentages : Rs 0.14 crore, Vehicles : Rs 1.06 crore, Machinery: Rs 0.90 crore, Publicity: Rs 0.26 crore, MIES : Rs 0.23 crore and others: Rs 0.19 crore.

Health Sub-centres had ANMs trained in IUD insertion and one-third had ANMs trained in RTI/STD.

3.2.12 All India Hospitals Post Partum Programme

The basic objective of the programme was to provide through PPCs an integral package of maternal and child health and family welfare services, in-service training to medical/para-medical personnel, out-reach services to allotted population, to promote spacing methods to reduce IMR and MMR, to undertake Information, Education and Communication activities, and to establish a referral linkage for high risk pregnancies.

A perusal of the connected records in DFW and the sample PPCs revealed the following:

Non-achievement of targets fixed for sterilisation and other temporary methods in more number of Post Partum Centres during 1996-99.

Out of 105 PPCs in the State (118 from 1999-2000), the number of PPCs wherein the achievement under sterilisation and other temporary methods with respect to Obstetric/Abortion (OB/AB) cases was less than target[10] during 1996-99 were as given below:-

	Number of PPCs wherein the target not achieved			
	2 or more children		1 or less children	
	Sterilisation	Other methods	Sterilisation	Other methods
1996-97	89	17	28	105
1997-98	81	34	68	105
1989-99	90	34	42	118

3.2.13 Sterilisation Bed Scheme

Some beds were reserved for sterilisation in hospitals run by local bodies and voluntary organisations. From 1995-96, maintenance grant was admissible to hospitals run by local bodies and voluntary organisations at Rs 4,500, Rs 3,000 and proportionate amount of Rs 3,000 per bed if the number of tubectomies per bed per annum was 60 or more, 45 to 60 and below 45 respectively.

No maintenance grant was admissible to voluntary institutions/local bodies, which received construction grant for sterilisation but failed to achieve a minimum of 45 tubectomies per bed per annum.

In this connection, it is observed that the Beneficiary assessment survey also found that less than three *per cent* of women reported availability of NGOs providing sterilisation services.

Absence of records showing the details of performance level under Sterilisation Bed Scheme in hospitals run by local bodies and Voluntary Organisations.

Out of Rs 123.05 lakh received as grant from GOI under Sterilisation Bed Scheme during April 1995 to March 2000, State Government released only Rs 92.76 lakh to hospitals run by 22 voluntary organisations having a total of 540 beds. DFW stated (December 1999) that the bed maintenance grant was sanctioned to hospitals as advance grant (50 *per cent*) based on their performance during the previous year. However, DFW did not maintain any record to show the details of number of sterilisation operations conducted. In the absence of such records audit could not ensure whether the grants released for maintenance of beds were in conformity with GOI guidelines.

---

10 As per the State guidelines the target for Direct Acceptors: 90 *per cent* of OB/AB cases with 2 or more living children for sterilisation 10 *per cent* of OB/AB cases with 2 or more living children for other methods. 80 *per cent* of sterilisation/IUD and 20 *per cent* by OP and CC for OB/AB cases with one living child.

3.2.14 Tamil Nadu Area Health Care Project

3.2.14.1 Objectives of the Project

Tamil Nadu Area Health Care Project (TNAHCP) was implemented in four districts *viz.*, Dharmapuri, Thanjavur, Thiruvarur and Nagapattinam from December 1996 with Danish assistance (DANIDA). The overall project objective was to improve the health and family welfare status of the rural population, especially of the weaker section with a focus on women and children.

The project envisaged construction of 400 HSCs with community participation in the 4 project districts and improvement of the knowledge and skills of health service provided through various kinds of training, besides improving medical supplies and logistics.

3.2.14.2 Delay in construction of HSCs in Dharmapuri District

Out of Rs 5.35 crore provided by DANIDA and State Government for construction of Health Sub-centres in Dharmapuri District, Rs 2.47 crore was only utilised due to delay in construction.

Government sanctioned (January 1999) the construction of 190 HSCs in Dharmapuri and Krishnagiri Health Unit Districts with the community support in villages and with the technical and consultancy services from TNMSC.

Details of funds provided and expenditure incurred as of March 2000 towards the construction including water supply and gas connection are as given below.

(Rupees in lakh)

Name of the Health unit District	Amount released			Expenditure	Balance
	By DANIDA	By State Government	Total		
Dharmapuri (95 HSCs)	223.25	44.95	268.20	173.22	94.98
Krishnagiri (95 HSCs)	223.25	38.75	262.00	70.90	191.10
Krishnagiri (Provision of gas connections)	4.75	-	4.75	2.38	2.37
			534.95	**246.50**	**288.45**

Following points were noticed in this regard.

(i) State Government had not released its share of Rs 210.80 lakh for the construction of 136 HSCs (Dharmapuri: 66 HSCs and Krishnagiri : 70 HSCs) so far (March 2000).

(ii) As seen from the progress reports, construction of 179 HSCs was in progress as of March 2000 at various levels; the work had not started in respect of 11 HSCs as of March 2000.

Rs 2.88 crore drawn in advance of requirement irregularly retained outside Government Account.

(iii) As per the directions (January 1999) of the Government, the share of DANIDA and State Government were drawn and released to the Medical Officers in advance by the Project Director and DPHPM respectively. As a result, the unutilised amount of Rs 288.45 lakh was kept in savings bank accounts of Medical Officers concerned, outside Government account, which was highly irregular, as moneys should have been drawn in instalments according to the requirement.

3.2.14.3 DANIDA funds lying unutilised with Tamil Nadu Medical Services Corporation

Out of Rs 7.18 crore released under Tamil Nadu Area Health Care Project to Tamil Nadu Medical Services Corporation for various purposes during 1997-99, Rs 5.50 crore were lying unutilised with the Corporation as of March 2000.

Out of Rs 7.18 crore released by the Project Director, TNAHCP during 1997-99 to TNMSC for various purposes like improvement, repairs, construction of PHCs/HSCs, provision of furniture, medical equipment and for strengthening of medical supply infrastructure of TNMSC, Rs 1.68 crore were utilised and the remaining amount of Rs 5.50 crore was lying unutilised in the Deposit account of TNMSC. Most of the works were in processing/execution stage only and not completed. Some of the important components under which huge amounts were kept unutilised are given in Appendix XX.

Similarly, Rs 6.73 crore released during 1999-2000 to TNMSC for construction and repairs to PHCs/HSCs were lying unutilised with TNMSC in its Deposit account as of March 2000, as tenders were under scrutiny in some cases, estimates were under preparation in some cases and the basic particulars were under collection in some cases.

3.2.15 Training

3.2.15.1 Non-utilisation of Central assistance given for training of dais

Untrained dais, available in the State, were not trained by Government despite huge amount given for training.

Out of Rs 56.52 lakh released by GOI during 1994-97 for training of dais[11], Rs 6.59 lakh was only utilised for training 2,583 dais during 1994-95. From 1997-98, no programmes for training dais were conducted by DFW. According to the proposals sent (December 1995) by DFW to GOI, there were 18,000 untrained dais. Of this, only 7,583 dais, including 5000 dais identified by ADTW Department, were trained upto March 2000, leaving 10,417 dais yet to be trained. As a result, the availability of one trained dais per village was not ensured.

3.2.16 Central assistance in kind

GOI assistance under the Family Welfare Programme was given both in cash and kind every year.

Short supply of oral pills, Copper T, IFA Tablets and Vitamin A to the tune of Rs 2.47 crore was noticed during the period 1995-2000.

(i) Short supply of the following items was not reported to GOI during 1995-98. This was due to adjustment of the entire value of stores reported as given by GOI in kind, without verifying the actual receipt of the same.

Item	Assistance in kind reported		Actually received		Short supply	
	Quantity (In lakh number)	Value (Rs in lakh)	Quantity (In lakh number)	Value (Rs in lakh)	Quantity (In lakh number)	Value (Rs in lakh)
Oral pills	32	118.40	24	88.80	8	29.60
Copper T	4.824	132.66	3.989	109.70	0.835	22.96
IFA Tablet	2604	138.00	Nil	Nil	2604	138.00
Total						**190.56**

The DFW stated (May 2000) that the cost of supplies made was not reconciled with the amount adjusted by GOI.

11 Traditional birth attendants.

(ii) Vitamin A

GOI placed orders in October 1997 on a firm "R" for supply of Vitamin A solution to 20 districts of the State and the cost of the same was settled by GOI directly. However, the firm supplied Vitamin A only to 4 districts out of 20 upto May 1998. DPHPM reported (July 1998) to GOI that the acknowledgements in respect of Vitamin A from all the 20 districts produced by the supplier were bogus. He had also reported (August 1998) that the Vitamin A supplied by the firm was found during analytical tests conducted by Director of Drugs Control as defective and sub-standard. DPHPM also informed telegraphically (August 1998) all DDsHS not to use the Vitamin A supplied until further orders. The firm "R" agreed (August 1998) to supply fresh stock as per specification to all the 20 districts, as per the agreement. However, fresh supplies were made to 17 districts upto March 2000, all of which were again found to be sub-standard. The short supply of Vitamin A was valued at Rs 56.53 lakh. As a result of non-availability of Vitamin A, the campaign of Vitamin A was not successful and the targets fixed for the same were not achieved.

3.2.17 Other Financial Points

3.2.17.1 Irregular expenditure on items not qualified for Central assistance

Ineligible expenditure of Rs 14 crore incurred towards travelling allowance to motivators and travel expenses of staff.

Expenditure of Rs 14 crore incurred during 1995-96 to 1998-99 towards travelling allowance (TA) to VHNs and travel expenses of staff of units claimed for reimbursement from GOI was irregular, as no provision existed in the pattern of assistance prescribed by GOI for incurring such expenditure (Appendix XXI).

3.2.17.2 Irregular claim towards staff cost

Irregular claim of Rs 57.56 lakh was made towards staff cost of 3 District Family Welfare Bureaux for which no concurrence obtained from Government of India.

For the 3 newly formed DFWBs at Nagapattinam, Tiruvannamalai and Villupuram the State Government directed (January 1998) DFW to send proposals to Government of India for Central assistance to meet the expenditure involved. Though GOI's concurrence was not received, as reported (May 2000) to Audit by the DFW, the expenditure on the entire staff of these DFWBs was debited to Central funds. The expenditure thus irregularly booked during 1997-98 to 1999-2000 was Rs 57.56 lakh on pay alone (at Rs 53,300 per mensem per DFWB).

3.2.17.3 Excess claim towards charges on Direction and Administration and Contingencies

Excess claim of Rs 4.55 crore was made towards charges on Direction and Administration and Contingencies.

An amount of Rs 4.55 crore was claimed in excess from GOI towards charges on Direction and Administration and contingencies, due to incurring of expenditure under these items in excess of ceiling fixed[12] by GOI during 1995-99.

[12] The ceiling fixed for Direction and Administration : 8 *per cent* of the total allocation under Family Welfare and for contingencies : 2.5 *per cent* of pay and allowances of the staff of DFWBs plus Rs 5000 per annum.

3.2.17.4 Unutilised amount with Tamil Nadu Medical Services Corporation

Despite the release of Rs 3.91 crore by DFW to Tamil Nadu Medical Services Corporation during 1995-2000, details of medicines purchased and distributed were not reported.

DFW released an amount of Rs 390.94 lakh[13] to TNMSC during 1995-2000 for supply of medicines for FW programme. After prolonged correspondence TNMSC stated (January 2000) that Rs 290.53 lakh was utilised during 1995-99. Details of medicines and other items purchased and distributed were not submitted. However, DFW had treated the entire advance of Rs 390.94 lakh as final expenditure towards purchase of medicines, without ensuring supply by TNMSC and claimed Central assistance. TNMSC was debiting service charges (2 *per cent* for 1996-97 and one *per cent* for 1997-98) on the cost of medicines, towards administrative overheads under the programme. As such expenditure was not admissible for reimbursement from GOI, these charges were to be met from State funds.

3.2.17.5 Non-availing of bed maintenance grant

Non-claiming of bed maintenance grant of Rs 1.35 crore by DFW.

State Government was eligible for performance-linked bed maintenance grant (recurring) for each Government PPC as per the pattern of assistance[14] prescribed by Government of India. DFW had not filed any claim towards bed maintenance grant for the PPCs although eligible. The unclaimed grant, based on the bed strength and performance, worked out to Rs 1.35 crore[15] for the period 1995-99.

3.2.18 Miscellaneous Purpose Fund

The assistance provided by GOI for payment of compensation to acceptors of sterilisation included an element of contribution at specified rates to Miscellaneous Purpose Fund (MPF). The fund was intended to be utilised by the State Government for implementing Family Welfare Programme according to the local needs. The accruals under the fund were to be utilised within the same financial year except that 50 *per cent* of the accrual during the last quarter could be utilised up to September of the following year. The unspent balance at the close of each financial year would lapse and was to be refunded to GOI.

State Government issued (November 1997) orders for opening a separate account in a nationalised bank for crediting the accrued amount to the fund. Accordingly, DFW deposited (April 1998, April 1999, October 1999 and April 2000) the accumulation to the fund for the period April 1997 to December 1999 to the tune of Rs 49.05 lakh in the bank account. As of April

13 1995-96:Rs 62.45 lakh, 1996-97: Rs 70.01 lakh, 1997-98: Rs 66.81 lakh, 1998-99: Rs 94.86 lakh and 1999-2000: Rs 96.81 lakh.

14 Rs 3,000 per bed for performance of 75 sterilisations per bed per annum; Rs 2,400 for 45 to 75 sterilisations and proportionate rate of Rs 2,400 per 45 cases for performance less than 45 sterilisations per bed.

15 1995-96: Rs 33.12 lakh, 1996-97: Rs 33.10 lakh, 1997-98: Rs 33.58 lakh and 1998-99: Rs 35.20 lakh.

2000, Rs 3.03 lakh alone was utilised and the remaining amount of Rs 46.02 lakh was available in the account, without refunding it to GOI.

The above points were referred to Government in August 2000; reply had not been received (February 2001).

3.3 Implementation of 'Prevention of Food Adulteration Act, 1954' (Health, Indian Medicine and Homoeopathy and Family Welfare Department)

Summary Highlights

The Prevention of Food Adulteration Act, 1954 is a Central Act implemented in the State from 1 June 1955. Records relating to the implementation of the Act revealed that out of 13,746 local bodies (including 12,612 village panchayats), the Act was implemented only in 481 local bodies and food samples were taken and analysed only in 110 local bodies. In others, due to non-availability of required Food Inspectors, no food samples were taken and analysed. Points regarding poor performance in lifting of samples by the Food Inspectors, inadequate collection of samples for analysis from manufacturers and wholesalers, non-appointment of Food Inspectors and acquittals of the accused in food adulteration cases due to procedural lapses of the department, already mentioned earlier in the Report of Comptroller and Auditor General of India – Civil – Government of Tamil Nadu for the year 1979-80 still persisted. Percentage of achievement against the quota fixed for lifting and analysing samples further declined from 34 in 1995-96 to 12 in 1999-2000. Milk and milk products which are adulteration-prone were scarcely covered; vegetables and meat products were not at all analysed. Samples of branded items of the same type continued to be lifted and analysed. Delay in taking a final decision by Government on the proposals of the Department for amendments to the notification under the Act/Rules resulted in non-recruitment of new Food Inspectors and consequently the strength of Food Inspectors was declining. Overall, there are vital gaps in manpower and infrastructure leading to a very ineffective implementation of the Act and serious thinking is required by Government to strengthen the enforcement of the Act by looking into the deficiencies, bridging the gaps and specially the organisational structure of this agency which is presently under the overall charge of the Director of Public Health and Preventive Medicine.

- **Out of 1134 Corporations, Municipalities and Town Panchayats and 12,612 village panchayats, the Act was implemented only in 479 local bodies and 2 village panchayats. Of these, Food Inspectors were available for taking samples only in 110 local bodies.**

(Paragraph 3.3.5.1)

- **Targets for lifting of samples by local bodies were not revised since February 1987, to cope with the increase in the number of food items covered under the Act and the increase in the number of vendors.**

(Paragraph 3.3.5.2)

- **Number of samples taken and analysed steeply declined and the percentage of achievement in this regard decreased from 34 in 1995-96 to 12 in 1999-2000 due to non-availability of Food Inspectors.**

(Paragraph 3.3.5.3(a))

Abbreviations used in this review are listed in the Glossary in Appendix XLVII (page 276).

- **Despite the recommendations of the Public Accounts committee, samples taken from manufacturers/wholesalers were inadequate with their percentages ranging from 1.2 to 2.4 during the period 1995 to 1998; samples of milk and milk products, wherein the probability of adulteration was more, were lifted and analysed only to a small extent; samples of branded items of the same type were continued to be lifted and analysed even though the percentage of adulteration in those items was very low; inadequate sampling was done in respect of mineral water and Pan Masala and Ghutka; fruits, vegetables and meat products were not analysed at all, although the risk of adulteration was high in those products.**

(Paragraphs 3.3.5.4 to 3.3.5.6)

- **Against the required strength of 1200 full time Food Inspectors, only 139 part time Food Inspectors were available. Delay in taking decision by Government for amending the existing Prevention of Food Adulteration Rules or the Adhoc/Special Rules resulted in depletion in the cadre of Food Inspectors.**

(Paragraph 3.3.6)

- **Licence fee from vendors and fees for analysis of private samples, fixed as early as in 1961, were not revised. Proposals for revision submitted by Director of Public Health and Preventive Medicine were pending with Government, resulting in recurring loss of revenue to Government.**

(Paragraphs 3.3.8.1 and 3.3.8.2)

3.3.1 Introduction

The Prevention of Food Adulteration Act (PFA Act), 1954[1] is a Central Act aimed at ensuring availability of unadulterated food and drink to consumers, protecting them from fraudulent trade practices and providing guidance/norms to the manufacturers/dealers of food articles. The Act was implemented in the State from June 1955. The 'PFA Rules, 1955', framed under the Act, lay down the definitions and standards of quality for food, labelling requirements, the limits for poisonous metals in foods, the nature and quantities of additives permissible in foods and the conditions to be observed in the manufacture and sale of food.

The State Government framed rules called the 'Madras (Tamil Nadu) PFA Rules, 1961'.

The Act covers all the articles used as food or drink for human consumption other than drugs and water and broadly includes Beverages, Spices and Condiments, Sugar and Sweetening agents, Milk and Milk products, Edible Oils, Fat products, Cereals, Pulses and its products, Fruit products and Mineral water. Standards of quality have been defined for 32 broad categories of food items.

[1] Effective from I June 1955.

3.3.2 Organisational structure

The Director of Public Health and Preventive Medicine (DPHPM) is implementing the Act under the administrative control of Secretary, Health and Family Welfare Department at Government level. The Joint Director of Public Health and Preventive Medicine (JDPHPM) (PFA Act) assists the DPHPM in the implementation of the Act. JDPHPM (PFA) issues written consent to launch prosecution under section 20(1) of PFA Act, 1954 to the Food Inspectors (FIs).

Medical Officers of the Primary Health Centres and the Health Officers/Commissioners were declared as Local Health Authorities for Town Panchayats/Panchayat Unions and Municipalities/Corporations respectively for the purpose of the Act. Sanitary Inspectors attached to Corporations/ Municipalities/Town Panchayats and Health Inspectors Grade-I attached to the Primary Health Centres are acting as part time FIs.

In the State, there are six Food Analysis Laboratories (FALs) under the control of DPHPM at Guindy, Coimbatore, Madurai, Salem, Thanjavur and Palayamkottai. The laboratory at Guindy is headed by Government Analyst. Other laboratories are headed by Public Analysts. In addition, there is one Food Analysis Laboratory (Autonomous) headed by a Public Analyst exclusively for the Corporation of Chennai.

3.3.3 Audit coverage

A review of the implementation of PFA Act, 1954 had already appeared earlier in the Report of the Comptroller and Auditor General of India, Government of Tamil Nadu (Civil) for the year ended March 1980 and was also discussed by the State Public Accounts Committee (PAC) during July 1984 and recommendations of PAC given in March 1985. The recommendations have been discussed in relevant paragraphs of this review. For the current review, the records relating to implementation of the Act during 1995-96 to 1999-2000 in the Department of Health and Family Welfare in Secretariat, Directorate of Public Health and Preventive Medicine, Office of the Commissioner of Municipal Administration, Directorate of Town Panchayats and six FALs attached to the Directorate and one FAL at Chennai Corporation and in 59 local bodies (5 Corporations, 37 Municipalities, 16 Town Panchayats and one Panchayat Union) spread over 16 districts[2] were test-checked during November 1999 to April 2000, besides the records of the offices of the Deputy Directors of Health Services (DDsHS) at Coimbatore, Madurai, Salem, Thanjavur and Thiruvarur.

3.3.4 Financial performance

For the implementation of the Act, an expenditure of Rs 5.22 crore under non-plan head was incurred during the period 1995-96 to 1998-99 towards the six FALs. In addition, an expenditure of Rs 15.99 lakh was incurred from the Central assistance received towards purchase of equipment for the laboratories during the same period.

[2] Chennai, Coimbatore, Dharmapuri, Karur, Madurai, Nagappattinam, Namakkal, Ramanathapuram, Salem, Sivaganga, Thanjavur, Theni, Tiruchirappalli, Tirunelveli, Thiruvarur and Virudhunagar.

The expenditure on pay and allowances of the sanitary inspectors acting as part time FIs are met from the funds of the local bodies, as they attended to various duties relating to maintenance of Public Health, conservancy etc assigned by the local bodies, in addition to PFA work.

3.3.5 Physical performance

3.3.5.1 Poor coverage of areas

The Act was implemented only in 479 out of 1134 local bodies and 2 out of 12,612 Village Panchayats. Of this, food samples were taken only in 110 local bodies.

Though the Act was applicable to the entire State and came into force from June 1955, its coverage was extremely poor. It was observed that out of 1134 local bodies[3], the Act was implemented only in 479 local bodies (42 *per cent*) and of this, FIs were available and taking samples only in 110 local bodies (10 *per cent).* Further, out of 12,612 village panchayats, the Act was implemented only in 2 village panchayats; even these had no FIs.

3.3.5.2 Non-revision of target fixed for lifting samples

DPHPM had fixed (February 1987) the monthly quota of total number of samples to be lifted by each local body through FIs and for analysis by the laboratories. This had not been revised since then, though the Act has been amended several times to bring within its purview additional food items and food vendors. Thus, the enforcement of the Act could not be construed as effective. Government in its reply (July 2000) stated that in view of reduction in strength of FIs, the revision of targets would not give fruitful result. The contention of the Government was not tenable as the target needed to be refixed considering the increase in vendor population and food items, and a comparison of present achievement against a target fixed with reference to parameters existing in the distant past would not be appropriate. PAC also emphasised the need for fixing targets commensurate with the increase in the population. Even with reference to the existing norms, the performance was not only poor but had deteriorated over the years, as discussed in the following paragraphs.

3.3.5.3 Non-achievement of target fixed for lifting samples

Percentage of lifted samples against the quota fixed by Government declined over the years due to non-availability of Food Inspectors.

(a) The following table would show that the percentage of samples lifted against the quota fixed by Government during 1995-2000 in the State as a whole had declined from 34 in 1995-96 to only 12 in 1999-2000.

Year	Number of FIs available	Number of samples		Percentage of achievement
		To be lifted as per the quota	Actually lifted	
1995-96	381	33096	11273	34
1996-97	236	33096	8440	26
1997-98	205	33096	6222	19
1998-99	174	33096	4153	13
1999-2000	139	33096	4092	12

[3] 6 Corporations, 102 Municipalities, 2 Cantonments, 637 Town Panchayats and 387 Panchayat Unions.

The decrease was attributed (July 2000) by Government to the decrease in the availability of FIs for taking samples. Factors contributing to the non-availability of required FIs are discussed elsewhere in the Review.

Percentage of samples lifted in the selected 59 local bodies decreased over the years even though Food Inspectors are available in all these local bodies except one body.

(b) An analysis of the samples lifted in 59 local bodies test-checked revealed that the percentage of samples lifted with reference to the quota fixed decreased from 45 *per cent* to 20 *per cent* during the period 1995-99 as given below:

Year	Number of FIs available	Number of samples		Percentage of achievement
		as per the quota fixed	actually taken	
1995-96	163	11698	5227	45
1996-97	141	11698	4541	39
1997-98	114	11698	3379	29
1998-99	90	11698	2284	20
1999-2000 (up to December 1999)	67	8774	1938	22

The achievement was very poor in Coimbatore Corporation (3.8 *per cent),* Salem Corporation (12 *per cent*) and Chennai Corporation (30.5 *per cent*). The percentage varied only between 6.6 and 18.9 in 15 local bodies[4].

It was observed that despite the availability of part time FIs in these local bodies (except in Nagappattinam Municipality), the quota fixed for the local bodies was not achieved resulting in the poor implementation of the Act.

(c) The Central Committee of Food Standards (CCFS)[5] fixed a quota of four samples per month to be lifted by a part time Food Inspector. Even against this, the achievement ranged only between 50 *per cent* and 75 *per cent* during the period 1995-96 to 1999-2000 as given below:

Year	Number of FIs available	Number of samples		Percentage of achievement
		To be lifted as per the quota fixed by CCFS	Actually lifted	
1995-96	381	18288	11273	62
1996-97	236	11328	8440	75
1997-98	205	9840	6222	63
1998-99	174	8352	4153	50
1999-2000	139	6672	4092	61

4 Municipalities – Chinnamanur, Krishnagiri, Kumbakonam, Mayiladuthurai, Melur, Mettur, Nagappattinam, Ramanathapuram, Sathur, Thanjavur, Thirumangalam and Thiruvarur.
Town Panchayats – Kuniamuthur, Sendamangalam and Valparai.

5 Committee constituted by Central Government to advise the Central and State Governments in matters arising out of the Administration of the Act.

3.3.5.4 Inadequate sampling from manufacturers/wholesalers

Despite recommendations of Public Accounts Committee that 10 *per cent* of manufacturers/ wholesalers should be covered for drawing samples, the percentage of such samples collected during 1995 to 1998 ranged only between 1.2 and 2.4.

The Public Accounts Committee, in its Report No. 33-VII Assembly, of March 1985 on the Review on the implementation of the Act included in the Report of the Comptroller and Auditor General of India for 1979-80 (Civil) Government of Tamil Nadu, observed that the drawal of samples at premises of manufacturers/wholesalers is of great importance as it helped in detecting the adulteration at the source itself, and recommended that the monthly quota of samples to be drawn for this purpose should be increased to at least 10 *per cent* of the number of units functioning and it should be ensured that all the units were covered at least once a year. The memorandum of instructions issued by DPHPM in 1973 for officers implementing the PFA Act, 1954 also stressed the need for giving priority for lifting samples from wholesale dealers since the scope for adulteration was more at that juncture. However, out of the total samples collected and analysed during 1995 to 1998, the percentage of samples collected from manufacturers/wholesalers was very poor ranging between 1.2 and 2.4, as furnished below:

Serial Number	Year	Total number of samples collected and analysed	Number of samples collected from manufacturers/ wholesalers	Percentage to total samples Column 4 to Column 3	Number of samples found to be adulterated (6)	
					Out of Total samples	Out of Column 4
(1)	(2)	(3)	(4)	(5)	6(a)	6(b)
1	1995	11978	140	1.2	618	5
2	1996	9274	227	2.4	443	11
3	1997	7055	92	1.3	481	8
4	1998	4679	77	1.6	241	0

(Details for the year 1999 not available)

It was also observed from the sample registers maintained in the test-checked local bodies that samples of food were not lifted from hotels, restaurants, etc. Full details of the manufacturers, wholesalers, retailers and street vendors were also not available in the offices of DPHPM and Director of Municipal Administration so as to ensure that adequate number of samples were lifted from all categories of food vendors to ensure prevention of adulteration at the source level.

3.3.5.5 Coverage of food items

Memorandum of Instructions for officers implementing the Act provided, as a rule, that sampling should be restricted to the food items wherein adulteration and/or misbranding was most likely *viz.* milk, ghee, butter, gingelly oil, coconut oil, coffee powder, tea, turmeric, toor dal, flours, honey, aerated water, sherbeths and artificially coloured foods like sweets etc. It also mentioned that the samples of food items wherein food adulteration was not likely as it could be detected by the consumers themselves should not be lifted merely to achieve the monthly quota. DPHPM also instructed (December 1993) the FIs to lift variety of food samples.

Samples of food items which are more prone to adulteration were not lifted for analysis in large numbers even after specific instructions by DPHPM.

Details of food samples (categorywise) analysed and the samples found adulterated during the period 1995-96 to 1998-99 (Appendix XXII) revealed that the samples of spices and condiments, tea, coffee and chicory, edible oils and cereal products, where the percentage of adulteration was only 3, constituted 74 *per cent* of the total number of samples lifted. However, the samples of milk, butter, ghee, ice creams and fruit products lifted where the percentage of adulteration was about 32 constituted only 7 *per cent* of the samples lifted. This showed that adequate attention was not being paid to the adulteration prone items and the instructions on the subject were not being followed.

Branded foods of same type where there was less probability of adulteration were continued to be lifted for analysis.

Samples of branded goods of the same type where probability of adulteration was less were continued to be lifted. Certain special food items popular in some areas such as Sago and Tapioca Products in Salem district, banana chips in Coimbatore district and halwa in Tirunelveli were rarely lifted. Inspite of specific instructions from GOI/DPHPM, samples of milk were not lifted from collecting centres, dairies and moving tankers and samples of fruits, vegetables and meat products were not taken; number of samples of carbonated beverages lifted was negligible.

3.3.5.6 Inadequate Sampling

(i) Mineral water

Inadequate sampling of mineral water due to non-availability of infrastructure for sampling.

DPHPM, in view of the reports from various consumer organisations regarding the adulteration of about 65 *per cent* of bottled mineral water, issued instructions (January 1997) to all FIs to lift at least one sample every month and send to the FAL, Guindy. Instructions were reiterated (December 1999).

However, as per the reports of FAL, Guindy, only 38 samples of mineral water were received during 1997-98 to 1999-2000 (upto December 1999) from the local bodies as against the 5799 samples required to be lifted at the rate of one sample per month per FI. The FAL did not have necessary infrastructure *viz.*, equipments, glassware, chemicals and furniture and staff (analysts, technicians and supporting staff) for micro-biological analysis. The micro-biological analysis was being conducted with the help of the Chief Water Analyst of the King Institute, Guindy. A micro-biologist was posted to the FAL in April 1999; other allied posts and required infrastructure were yet to be provided. Thus, the testing of mineral water was highly inadequate.

(ii) Pan Masala and Ghutka

Despite the instructions of DPHPM only 3 samples of Pan Masala and Ghutka were lifted in the State.

Ministry of Health and Family Welfare, GOI requested (December 1997) the DPHPM and Public Analysts to keep a vigil and check on adulteration in Pan Masala and Ghutka in view of reports that Magnesium Carbonate, an anticaking agent, was being used in those items in contravention of PFA Rules 1955. Further, Government of India requested (March 1999) the State Government to keep a vigil on the manufacturing premises of these items and take action against those violating the provisions of the Act and rules. DPHPM instructed (April 1999) the Local (Health) Authorities and DDsHS to arrange for lifting samples and for their analysis. These instructions were reiterated again in October 1999. However, as of March 2000, only 3 samples of Pan Masala/Ghutka had been lifted in the entire State.

Earlier, Public Analyst of FAL of the Corporation of Chennai reported (March 1998) to DPHPM that detailed analysis of Pan Parag/Ghutka revealed that the sample contained injurious ingredients other than Nicotine derived from tobacco and suggested the ban on production of Pan Parag/Ghutka. Final action in this matter had not been taken so far (March 2000). Thus, inspite of the instructions of GOI and potential injury to public health, no effective action was taken by the Department to give adequate coverage to this item.

3.3.5.7 Non-testing of food articles for pesticide residue, Aflatoxin and heavy metals and non-testing of containers

The Director General of Health Services, New Delhi issued instructions to all the Food (Health) Authorities during 1996 to 1999, to undertake analysis to detect crop contaminants like Aflatoxin, pesticide residue, heavy metals in the food articles and to ensure conformity with standard prescribed in PFA Act.

A scrutiny of information and records made available to audit disclosed that the analysis for presence of heavy metals was done on limited items, while tests for Aflatoxin and pesticide residue were not at all done in the FALs. Further, it was also observed that containers in which food items were sold were not checked in the laboratories with regard to ISI specifications/other standards as specified in the PFA Rules. This was attributed by the Government/Public Analysts of the FALs to lack of trained manpower, equipment and chemicals in the laboratories.

3.3.5.8 Performance of laboratories

Number of food samples analysed in the laboratories decreased considerably during the period 1995-96 to 1999-2000.

Quota for samples to be analysed by 7 FALs under PFA Act had been fixed as 33,096 per annum and notified by the DPHPM as early as in 1987 based on the samples to be collected from the local bodies. A perusal of the samples analysed by 7 FALs during the period 1995-96 to 1999-2000 revealed that the number of samples analysed had decreased considerably from 11,647 to 4,122 and as compared to the quota fixed by DPHPM, the percentage of samples analysed decreased from 35 *per cent* in 1995-96 to a mere 12 *per cent* in 1999-2000. The main reason attributed by the analysts of the FALs for the non-achievement and the decline in the percentage of achievement over the years was the non-availability of FIs for lifting the samples. Thus, due to the non-achievement of the target fixed, the laboratories were grossly under-utilised.

3.3.6 Food Inspectors

Against the requirement of 1200 Food Inspectors, only 139 part time FIs were available.

Against the requirement of 1200 FIs (at the rate of one full-time FI for local area having a population of 50,000), only 139 part-time FIs were available at present. Following points were observed in this regard:

(i) As per the amendments made (February 1980 and March 1983) to Rule 8 of the Act, after 1 April 1985, only a person who is a graduate in Science with Chemistry as one of the subjects or a graduate in any one of the following disciplines *viz.*, Agriculture, Public Health, Pharmacy, Veterinary Science, Food Technology and Dairy Technology or diploma holder in Food Technology or Dairy Technology can be given training in Food Inspection and be appointed as FI. Although the DPHPM requested (May 1995) all the Commissioners of Corporations and Municipalities and the Director of Town Panchayat to issue instructions to the Sanitary Inspectors working under them to acquire the required qualification, no further improvement was seen in the matter.

(ii) DPHPM requested (February 1998 to April 1998) the Government in Health and Family Welfare Department, Commissioner of Municipal Administration, Director of Town Panchayat and the Commissioners of six Municipal Corporations for amending the adhoc/special rules for recruitment of Sanitary Inspectors/Health Inspectors to the effect that 10 *per cent* of these posts would be reserved for those candidates possessing qualification required for FIs, so that they can be utilised for lifting samples. However, no amendments to this effect were made.

(iii) While amending (February 1996) the original notification of 7 December 1955, Government substituted the expression "Health Inspectors" by "Health Inspectors Grade I" for appointment as FIs, provided they possessed the necessary qualification and underwent the training in food inspection and sampling. Though none of the officials working as Health Inspectors Grade I possessed the qualification prescribed, a proposal of DPHPM to make eligible the available Health Inspectors Grade II and Health Inspectors Grade I B[6] with the required qualification by amending the notification was pending with the Government (April 2000) since May 1996. As a result, 32 Health Inspectors Grade II and 30 Health Inspectors of Grade IB, who were already trained in food inspection and sampling during 1996 and 1999, could not be utilised for sampling. Also, about 200 Health Inspectors of Grade IB and II possessing the qualification were available, but could not be imparted necessary training and utilised as FIs.

(iv) Similarly, a proposal of the DPHPM to amend the notification to make eligible the Sanitary Officers and Block Health Supervisors to act as FIs was also pending with the Government since December 1997. As a result, 32 Sanitary Officers and 12 Block Health Supervisors could not be utilised for food inspection.

(v) PAC, in pursuance of its previous Report, had recommended (1996-97) the appointment of full time FIs for the efficient implementation of the Act. Though the State Government had reported that this could not be done due to financial constraint, the PAC observed that the financial constraints should not be allowed to stand in the way of effective implementation of the Act. However, the part-time FIs continued as such, and besides attending to the implementation of the Act, they had to attend various other duties such as conservancy, detection and prevention of infectious diseases, health propaganda, inspection of places of dangerous and offensive trade and issue of licences etc. Thus, the implementation of the Act was affected to a great extent due to non-availability of required FIs for lifting samples.

3.3.7 Prosecution and Acquittals

3.3.7.1 Delayed prosecution

(i) FIs have to launch prosecution against the vendors whose samples were found adulterated/misbranded or for violation of the provisions of the Act after the receipt of an analysis report from the Analyst and a written consent from JDPHPM. The prosecution has to be launched as early as possible, as the vendor has the right to cause analysis of the second sample, kept by the Local (Health) Authority, in the Central Food Laboratory, under Section 13(2) of the Act and the same assumed significance if the sample

[6] Erstwhile Leprosy Inspector redesignated consequent to the integration of Leprosy Control Programme with Multi-purpose Health Workers Scheme in June 1997.

Delays ranging from 5 months to 3 years were noticed in submitting proposals for grant of sanction to launch prosecution

happened to be a cooked food or a food made of milk, which would deteriorate in quality if delayed. Such delays in launching prosecution had resulted in acquittal of the accused as seen from various judgements of Courts in this connection. Department itself had stated in May 1995 that only 50 *per cent* of the adulterated cases were prosecuted and the prosecution was not launched or belatedly launched in the remaining 50 *per cent* of cases.

Test-check of records in the Directorate revealed that in respect of 20 adulterated cases (including 16 items of milk/milk products) relating to samples taken during the period between March 1994 and November 1996 by the FIs of Chennai Corporation, the proposals for grant of sanction to launch prosecution were submitted after a delay ranging from 5 months to 3 years.

Test-check of records of 108 cases of acquittal revealed procedural lapses.

(ii) Prosecution was launched in respect of 1395 cases during 1995-96 to 1999-2000. It was noticed that courts ordered acquittal in 437 cases[7] and conviction in 692 cases[7] during the same period. A scrutiny of records relating to 108 cases of acquittal in the Directorate revealed that the acquittal was due to procedural lapses on the part of Department like delay in launching prosecution, non-production of appointment order / training certificate of the Food Inspector in support of their qualification, failure to issue notice under section 13(2) to the vendor along with the copy of analysis report, non-observance of procedure prescribed for sampling etc. These irregularities persisted despite being pointed out in the previous Audit Report and PAC's recommendations thereon requiring a case study of such acquittals and necessary steps to avoid such acquittals in future.

3.3.7.2 Huge pendency of cases

Out of 8133 cases pending in the court as of December 1998, 7011 cases were pending for more than 3 years.

As per the annual reports on the working of the PFA Act in the State, out of 8133 cases pending in the court as of 31 December 1998, 7011 cases were pending for more than 3 years. Non-execution of non-bailable warrants against the accused due to their absconding and non-availability of FIs in the local bodies to attend to court cases were the main reasons for the accumulation of cases.

3.3.8 License fee and fees for analysis

3.3.8.1 Licence fee

The Commissioners of Corporation and Municipalities, the Executive Officers of Town panchayats/Townships and the Commissioners of Panchayat Unions are competent to issue licences to vendors under PFA Act. The fees specified to be collected as per PFA Rules of 1961 ranged from Rs 3 to Rs 25 for fresh licence and Re 1 to Rs 15 for renewal according to the category of vendor *viz.* wholesaler, retailer and hawker. Scrutiny of records in the local bodies and the information furnished by them revealed that

(i) the licences to vendors were not issued in the proper form (Form B) prescribed by the Department except in the Municipalities in Thanjavur District.

Absence of a system for ensuring the revenue due to be collected by Corporation of Chennai.

(ii) no demand registers were maintained by the Corporation of Chennai at Central/Zonal level with the result that the correct amount of the licence fee

[7] The figures against convictions and acquittals represent the number of convictions and acquittals secured during the said period.

due to be collected could not be ascertained. Details of total number of food vendors in Chennai Corporation to whom licences were to be issued were not on record. Thus, there was no system to ensure collection of license fees due.

Non-revision of license fees since 1988.

(iii) The DPHPM proposed as early as in 1988 for revision of license fees. The proposal was still under the consideration of the Government, and licence fee was continued to be collected at old rates. As per the proposed revision, the fees range between Rs 10 and Rs 50. Non-revision of fees resulted in loss of revenue to the local bodies. In the test-checked local bodies, the revenue loss calculated at the minimum proposed increase for renewal of license worked out to Rs 12.94 lakh[8] for the period 1995-96 to 1999-2000.

3.3.8.2 Fees for analysis

Analysis fees not revised for the last 40 years.

Rule 11 of the PFA Rules 1961 provides for charging a maximum of Rs 50 per sample for analysis of sample from a private person. In view of the multifold increase in the cost of chemicals used for analysis and glassware, increase in number of tests involved and increase in the establishment cost and other overhead charges, the laboratories in the State were pressing for revision of analysis fee. DPHPM proposed (December 1991) to revise the analysis fee from Rs 50 per sample to Rs 250 per sample and submitted revised proposal in February 2000 for charging fees ranging from Rs 300 to Rs 500 for various categories for private samples. Government had not taken any decision in the matter so far. Non-revision of fees resulted in loss of revenue to Government. Adopting an increase of Rs 200 per sample, the loss of revenue during 1995-96 to 1999-2000 on 1371 samples analysed by 6 FALs worked out to Rs 2.74 lakh.

Incidentally, it was observed that the Central Food Laboratory, which is also analysing samples under section 13(2) of the Act, had revised (November 1998) the fees for analysis of food per sample from Rs 200 to Rs 1000 with effect from 20 May 1999.

3.3.9 Monitoring and Evaluation

Entrustment of various other duties to FIs and dual control on the FIs resulted in shortfall in collection of food samples.

The implementation of the Act is monitored by DPHPM at the apex level assisted by JDPHPM(PFA). However, full details regarding incumbency of FIs and pendency of cases in various local bodies, details of fines imposed by court and their apportionment between local bodies and Government were not available with him. While the Act was administered at the apex level by Public Health Department, the field level implementation was with the Sanitary-*cum*-Food Inspectors functioning under the day-to-day administrative control of the local bodies. Thus, dual control of FIs stood in the way of effective monitoring of the implementation of the Act. Entrustment of various duties to the part-time FIs of the local bodies other than taking samples resulted in shortfall in collection of samples when compared to the quota fixed for this purpose by DPHPM.

At the District level, DDsHS were to review the performance of local bodies falling in their districts. Records in the districts test-checked revealed that no review meetings were held in Salem for the analysis of the performance of FIs and in respect of Thanjavur, no information on conduct of review meetings has been furnished. Even where meetings were held, only oral instructions were issued routinely and the attendance of FIs in such meetings was very

8 2,58,705 vendors during 1995-96 to 1999-2000 @ Rs 5.

poor. No separate staff was earmarked for monitoring the implementation of the Act.

No records were produced to Audit regarding the monitoring at Government level.

No evaluation was conducted on the implementation of the Act either by any Government agency or by private agency.

Government, in reply (July 2000), generally accepted the facts.

3.3.10 Conclusion

In the light of the foregoing, the critical questions that should bother the administrator of the PFA Act relate to organisational and man power requirements.

First is the question of DPHPM being the administering authority of the Act. As revealed by Audit analysis, the officer, being overwhelmingly busy in his own profession, is hardly expected to give adequate attention to issues relating to implementation of PFA Act. At the district level, the position is no better. Second is the question of inadequate number of Food Inspectors and the types of food articles to be sampled. Perhaps the Government need to think afresh regarding the organisation and management of the PFA Act with a view to making it more effective and capable of enforcing the Act and the Rules governing food adulteration, since it is a vital issue of public health and peoples' well being.

3.4 Working of Rural Development Department (Rural Development Department)

Summary Highlights

The ultimate objective of the Rural Development Department is to alleviate poverty and improve the standard of living of the rural population. According to the survey conducted by the Rural Development Department, the number of families below poverty line in the State as a whole declined from 31.46 lakh in 1991 to 27.38 lakh in 1999. However, in five districts, there was an increase in the number of Below the Poverty Line families by 3.5 to 24.4 per cent in 1999 as compared to 1991 indicating that the Rural Development in these districts was inadequate. Some significant findings of the audit review of the working of the Rural Development Department are given below :

- **Substantial surrenders during 1996-97, 1997-98 and 1999-2000 show that supplementary grants obtained were not necessary and the excess expenditure of Rs 40.53 crore during 1998-99 indicates that supplementary grants obtained were not adequate.**

(Paragraph 3.4.4.2)

- **The decision of the Government to charge maximum permissible limit of administration cost of the Centrally Sponsored Schemes irrespective of the actual expenditure incurred resulted in excess charging of Rs 3.28 crore in 1998-99.**

(Paragraph 3.4.4.3)

- **Government diverted Rs 8.81 crore out of the Tenth Finance Commission grants received from the Government of India for the purchase of jeeps.**

(Paragraph 3.4.6.1 (iii))

- **The inadequate planning and consequent delay in utilisation of Central assistance released for Central Rural Sanitation Programme resulted in non-receipt of Central assistance of Rs 2.37 crore.**

(Paragraph 3.4.7.1 (a))

- **Though Government released Rs 77.77 lakh during 1997-98 and 1998-99 for implementing three schemes, the District Rural Development Agencies did not plan and execute these schemes resulting in blocking of funds.**

(Paragraph 3.4.7.1 (c))

- **Excess expenditure of Rs 1.68 crore was incurred due to purchase of cement from Tamil Nadu Cement Corporation at higher rate.**

(Paragraph 3.4.8.1)

- **Adoption of uniform staffing pattern irrespective of the size of the block resulted in under-utilisation of staff in some blocks.**

(Paragraph 3.4.9.2 (a))

Abbreviations used in this review are listed in the Glossary in Appendix XLVII (page 276).

- **After introduction of Swarna Jayanthi Gram Swarozgar Yojana in which the Extension Officers did not have any role, Government did not review the manpower position for redeploying the 770 Extension Officers elsewhere.**

(Paragraph 3.4.9.2 (b))

3.4.1 Introduction

The function of Rural Development Department is to alleviate poverty through self-employment and wage-employment programmes, build rural infrastructure, provide and maintain basic amenities and services in the rural areas, with the ultimate object of improving the standard of living in the rural areas. This objective is being accomplished by the implementation of various State and Centrally sponsored programmes.

3.4.2 Organisational set up

The Secretary to Government, Rural Development Department and the Director of Rural Development (DRD) are responsible for implementation of Rural Development programmes and monitoring activities of Panchayati Raj institutions.

At the District level, Collector directs and coordinates all Rural Development Programmes; he is also the Inspector of rural local bodies and in that capacity he has been assigned certain duties by the Panchayat Act. He is assisted by Personal Assistant (Panchayat Development), Assistant Director (Panchayats) and Assistant Director (Audit).

The Collector is also the Chairman of District Rural Development Agency (DRDA) and is assisted by the Project Officer of DRDA in implementation of various programmes in the district. The Project Officer, DRDA is assisted by six Assistant Project Officers looking after scheme implementation, monitoring and evaluation, statistics, etc. The accounting functions are looked after by an Accounts Officer.

The block is the basic unit for preparation of Annual Plan and implementation of various schemes. There are two Block Development Officers (BDO) at block level, one looking after Block Panchayats (BP) and the other Village Panchayats (VP).

The schemes are implemented at the Village Panchayat level by the president of the Village Panchayat, monitored by the BDO (VP). There are 28 DRDAs and District Panchayats, 385 Panchayat Unions and 12,617 Village Panchayats in Tamil Nadu.

3.4.3 Audit Coverage

Functioning of the Department during 1997-98 to 1999-2000 was reviewed by test-check of records of the Department at the Secretariat, Directorate, Commissioner of Training and in six sample districts[1]. In the sample districts records were test-checked at Collectorate, DRDAs and 28 blocks.

[1] 1. Erode, 2. Kancheepuram , 3. Madurai, 4. Salem, 5. Vellore and 6. Villupuram.

3.4.4 Budgetary process

3.4.4.1 Budgeting

The budget provision and expenditure incurred under Non Plan and Plan heads of Rural Development Department during 1997-98 to 1999-2000 were as follows:

(Rupees in crore)

Year	Non-Plan		Plan Schemes				Total	
			State Plan schemes		Centrally sponsored/ shared schemes			
	Budget provision	Actual expen-diture	Budget provision	Actual expen-diture	Budget provision	Actual expen-diture	Budget provision	Actual expen-diture
1997-98	466.45	472.28	466.80	428.71	18.43	23.46	951.68	924.45
1998-99	694.80*	760.80@	505.66	479.42	24.17	24.94	1224.63	1265.16
1999-2000	727.14	724.72	484.00	458.12	25.18	26.03	1236.32	1208.87

* **The steep increase in budget provision for 1998-99 in comparison to 1997-98 was due to inclusion of noon meal Scheme**

@ **The increase was due to implementation of Fifth Pay Commission and consequent payment of arrears of pay and allowances**

Expenditure was consistently less than the provisions under the State Plan heads indicating that the administrative machinery was unable to cope with the demands of various schemes of the Department.

3.4.4.2 Injudicious surrender of Funds

Savings/excess reveals lack of control over expenditure.

Scrutiny revealed that estimation of expenditure even in the last week of the financial year was not close to the actual expenditure.

(Rupees in crore)

Year	Total Budget provision including supplementary	Supplementary grant obtained during last week of the year	Actual expendi-ture	Amount surrendered during last week of the year	Actual Excess(+)/ Savings(-) over the grant
1996-97	513.25	18.49	486.97	2.58	(-) 26.28
1997-98	951.68	16.75	924.45	8.68	(-) 27.23
1998-99	1224.63	a	1265.16	4.43	(+) 40.53
1999-2000	1236.32	b	1208.87	8.99	(-) 27.45

a: Rs 0.04 lakh only; b: Rs 0.23 lakh only

It may be seen from the table above that in 1996-97, 1997-98 and 1999-2000 there was huge savings, showing that supplementary grant obtained was unnecessary. In 1998-99 there was excess over grant, showing that supplementary grant was inadequate and surrender was injudicious.

3.4.4.3 Administrative expenditure

Deduction towards administrative expenditure in excess of actual requirement.

Government of India (GOI) permits the DRDAs to deduct upto a certain percentage from the allocation for a Centrally sponsored scheme to meet their administrative expenditure towards the scheme. Since 1990-91, the DRDAs have been deducting the maximum permissible administrative expenditure from the allocation to each scheme, and after meeting the actual administrative expenditure, which was much less, the unspent balance was remitted to the State Government account. DRDAs also exhibited in their accounts the maximum permissible administrative cost under each scheme as the actual administrative expenditure, which falsified the accounts. Total funds so transferred to State Government account during 1998-99 amounted to Rs 3.28 crore.

3.4.4.4 Other deficiency noticed

In respect of 4 schemes[2] Rs 17.66 crore and Rs 12.59 crore were surrendered in 1997-98 and 1998-99 respectively, revealing inaccurate estimation even at the fag end of the year.

3.4.5 Expenditure Control

3.4.5.1 Excess/Short appropriation of funds at reappropriation level

In respect of ten heads of account during 1997-98 to 1999-2000, it was noticed that while Rs 334.05 lakh were provided by reappropriation, the actual expenditure was less than the budget allotment. The re-appropriation was unnecessary, indicating deficient estimations.

Similarly, in respect of eight heads of account, during 1997-98 to 1999-2000, it was noticed that Rs 24.48 lakh had been withdrawn at the reappropriation stage whereas actuals were more than budget allotments. Reappropriation was not justified, pointing to lack of control over expenditure.

3.4.5.2 Funds provided in supplementary grant diverted through reappropriation

Rupees 15 crore provided for construction of group houses for Scheduled Castes/Scheduled Tribes (SC/ST) through supplementary grant was surrendered as savings and reappropriated to Indira Awaas Yojana to meet the state share of matching grants. Rupees 0.99 crore provided for Million Wells Scheme as supplementary grants was surrendered as savings and reappropriated. Thus, money authorised by the Legislature for a specific purpose was diverted without the legislative approval. The instances cited go to point out that budgetary estimates were not prepared on scientific/accurate basis.

3.4.6 Financial Management

3.4.6.1 Administration of Tenth Finance Commission grants

The GOI released adhoc grant of Rs 71.83 crore to Panchayati Raj Institutions from 1996-97 onwards based on the recommendation of the Tenth Finance Commission (TFC) to supplement their resources. The grants so far received and distributed to the Panchayati Raj Institutions were as follows:

---

[2]
1. Integrated Rural Sanitation and Water Supply Project with DANIDA assistance (2215-01-102-II-PC).
2. Integrated Rural Development Programme (IRDP) – Training of Rural Youth for Self Employment (2501-01-003-VI-UA).
3. IRDP – Training under Special Component Plan (2501-01-789-II-JB)
4. IRDP – (2501-01-800-II-JB).

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000
District Panchayats	28.00	14.00	7.00	5.75
Panchayat Unions	38.40	38.70	46.20	32.32
Village Panchayats	5.43	19.13	18.63	33.76
	71.83	**71.83**	**71.83**	**71.83**

Irregular expenditure in violation of Tenth Finance Commission guidelines.

In test-check of connected records by audit, the following observations were made.

(i) (a) The sample Districts of Kancheepuram, Villupuram and Vellore received Rs 19.46 crore as TFC grants during 1996-97 and 1997-98. However, neither the State Government nor the Panchayat Unions contributed equal matching grant as envisaged by GOI while releasing the grants.

(b) In 1998-99 as against Rs 10.76 crore received as grant, the Panchayat Unions in these 3 districts contributed Rs 3.98 crore only as matching grants.

(ii) The District Panchayats of Kancheepuram and Vellore utilised Rs 37.70 lakh towards their administrative expenditure out of TFC grants of Rs 2 crore during 1996-97 in violation of GOI guidelines.

(iii) In 1998-99, a sum of Rs 8.81 crore out of the TFC grants of Rs 71.83 crore received from GOI were diverted by the State Government for the purchase of 241 numbers of jeeps for Executive Engineers and Block Development Officers.

(iv) During the year 1998-99 and 1999-2000, these grants could be drawn from the treasury only after one to six months for want of ways and means clearance from Government, although it was envisaged in the guidelines that TFC grants should not be held back by the State Government.

3.4.6.2 Diversion of funds

Diversion of scheme funds to other schemes.

It was observed that in many cases DRDAs diverted funds in order to utilise the funds available in one scheme till the release of funds for another scheme. As per the scheme guidelines, diversion of funds from one scheme to another was not permissible. A sum of Rs 3.20 crore was diverted from one scheme to another in the test-checked districts during 1997-98 and 1998-99.

3.4.7 Programme Management

The objective of this review was to assess the systems and procedures for programme formulation, execution, monitoring and evaluation at various levels namely, Secretariat, Directorate, District and Block. The Rural Development Department of Tamil Nadu is implementing 9 schemes shared between the Centre and State, 3 wholly Central and 5 State Plan Schemes as shown in Appendix XXIII.

The poverty level is the performance indicator of the Rural Development Department. Planning, monitoring and evaluation by the Department should be based on the measurement of poverty level. However the Rural Development Department conducted a survey in 1991 and then only in 1999 after a gap of eight years.

According to the survey conducted by the Rural Development Department in 1999 the number of rural families below poverty line (BPL) in the State declined from 31.46 lakh in 1991 to 27.38 lakh in 1999 (13 *per cent*). However, in five districts it was observed that there had been an increase in the total number of Rural BPL families ranging from 3.5 to 24.4 *per cent* as shown below:

Rural development ineffective in five districts.

District	Total Number of Rural BPL families in the year		Increase	Percentage of increase
	1991	1999		
Kancheepuram	112235	125898	13663	12.2
Vellore	184838	191360	6522	3.5
Villupuram	199083	225581	26498	13.3
Madurai	87631	99204	11573	13.2
Theni	41309	51391	10082	24.4

This indicates that the Rural Development efforts of the Department were ineffective in these districts.

Four of the above districts namely Kancheepuram, Vellore, Villupuram and Madurai also happen to be the sample districts selected for the review, where several deficiencies in the implementation of Rural Development programmes were noticed.

The deficiencies noticed in Programme Management are discussed below.

3.4.7.1 Planning

(a) Non-utilisation of grants resulting in denial of Central assistance

Delay in planning resulted in non-utilisation of Central Grants and denial of further Central assistance.

Information, Education and Communication Programme (IEC), a component of Central Rural Sanitation Programme (CRSP) was implemented in 4 districts[3] of Tamil Nadu. The outlay for the project was Rs 135.71 lakhs per year to be shared equally between GOI and Government of Tamil Nadu. The details of the outlay, funds released and expenditure is given below:

(Rupees in lakh)

Year	Outlay for the programme		Amount released		Actual expenditure
	Central share	State Share	Central	State	
1996-97	67.86	67.86	33.92[1]	101.78[2]	Nil
1997-98	67.86	67.86	Nil	33.93	Nil
1998-99	67.86	67.86	Nil	Nil	118.15
1999-2000	67.86	67.86	Nil	Nil	Nil

1. First instalment of Central Share

2. The State Government released Rs 101.78 lakh which included State share of Rs 67.86 lakh and central share of Rs 33.92 lakh released in anticipation of Central assistance.

As the proposal for the release of second instalment of the GOI grant was sent by the Director of Rural Development only in September 1999 , GOI did not release second instalment of Rs 33.92 lakh for the year 1996-97and Rs 67.86 lakh each for the year 1997-98, 1998-99 and 1999-2000. The State share of Rs 67.86 lakh and Rs 33.93 lakh released in 1996-97 and 1997-98 respectively in anticipation of Central share remained unutilised till August 1999. Rupees 118.15 lakh were spent only during August 1999 to March 2000, by the DRDAs.

3 Dindigul, Dharmapuri, Erode and Ramanathapuram

The Director of Rural Development stated in June 2000 that first instalment of Central assistance could not be utilised due to (i) the Project Consultant/Expert for IEC Cell at the Directorate could not be appointed (ii) delay in identification of a reliable State Co-ordinating Agency (iii) posts sanctioned for IEC Cell were not filled up as there was no provision for the pay and allowances. In one sample district (Erode) DRDA appointed the District Co-ordinating Agency only after three years of receipt of funds for the scheme. Thus due to inadequate planning and delay of three years in implementing the IEC programme, Rs 2.37 crore of Central assistance was denied to the Government from 1996-97 to 1999-2000. Further Rs 135.71 lakh released for the scheme during 1996-97 and 1997-98 remained unutilised till August 1999. The IEC programme aims at generating awareness and demand for rural sanitation and failure to implement the programme had an adverse effect on the implementation of CRSP.

(b) Shortfall in achievement

Improper planning resulted in non-utilisation of funds and non-achievement of targets.

Under CRSP seven villages[4] in the State were selected for development as model villages during 1995-96. Three of the seven model villages were test checked in Audit and following observations were made:

(i) In Peravurani, Thanjavur District, having 4,350 individual households a target of 2,200 Individual House Hold Latrines (IHHL) was fixed at a cost of Rs 55 lakh. Only 513 IHHL were constructed at a cost of Rs 12.82 lakh as of April 2000. The reason given in July 1999 by the Collector for the shortfall was that the people were not coming forward to avail the scheme. This was due to the failure of the Department in implementing the IEC Programme to generate awareness and demand among the people.

(ii) In Danishpet, Salem District 1096 IHHL was fixed as target at a cost of Rs 27.40 lakh. Only 407 IHHL were constructed at a cost of Rs 10.17 lakh as of April 2000. Though there were only 776 BPL households in the above village, construction of 1096 IHHL was fixed as target in the Action Plan and funds received accordingly. As a result Rs 17.23 lakh remained unutilised, which reflects defective planning.

(iii) In Elavarasan Kottai, Villupuram District 1525 IHHL was fixed as target at a cost of Rs 38.12 lakh. Only 419 IHHL were constructed at a cost of Rs 10.47 lakh as of April 2000. The reasons furnished by Collector in June 1999 for the shortfall were lack of provision for water supply and lack of awareness and demand. This reflects the failure of the DRDA in ensuring availability of water supply before taking up the scheme.

At the macro level also the progress of work was very slow resulting in the following shortfalls in achievement of target during 1995-96 to 1999-2000: (i) 5,026 out of 6,902 targeted IHHL could not be constructed. (ii) 5,298 metres (m) of drains out of 18,505 m targeted could not be constructed (other shortfalls shown in Appendix XXIV).

4

Sl.No.	Name of Villages	District
1.	Elavarasan Kottai	Villupuram
2.	Attipalayam	Villupuram
3.	Munnur	Karur
4.	Peravurani Town Panchayat	Thanjavur
5.	Jullittipet	Salem
6.	Danish pet	Salem
7.	Gandarvakottai	Pudukottai

Thus, due to unrealistic planning by the District Collectors of the above districts large funds remained unutilised. The programme of IEC should precede or should be implemented along with the CRSP. However, IEC was implemented only between August 1999 and March 2000.

(c) Non-implementation of schemes

The schemes listed below were never planned and implemented, though sufficient funds were released by Government. In all these cases, no action plan was prepared by DRDA for implementation of schemes. Thus, Rs 77.77 lakh remained unutilised until 31 March 1999 and subsequently merged with Swarna Jayanthi Gram Swarozgar Yojana Scheme (SGSY) fund.

Sl. No	Scheme	DRDA	Date of receipt of GOI funds	Amount (Rupees in lakh)
1.	Community based Convergent	Salem	June 1998	5.00
	Services (CBCS)	Madurai	January 1998	1.00
2.	Ganga Kalyan Yojana	Salem	January 1998	17.18
		Madurai	January 1998	8.65
3.	IRDP - funds for infrastructure	Madurai	July 1998 and 1998-99	45.94
			Total	**77.77**

(d) Funds not utilised due to improper planning

Under CRSP funds were allotted to 10 blocks in three districts (Erode, Madurai and Salem) for the construction of IHHLs, without ascertaining the demand and availability of water supply. Rupees 14.10 lakh allotted during 1997-98 to 1998-99 for the construction of 705 IHHL remained unutilised for more than one year and was later diverted to other schemes by the BDOs.

3.4.7.2 Non-execution of schemes

Delay and untimely release of funds by DRDAs defeating the purpose of the scheme.

For the execution of Water Harvesting Works in Vellore district under Employment Assurance Scheme for the year 1996-97, DRDA, Vellore released Rs 3.96 crore to the Assistant Executive Engineer, Agricultural Engineering Department. The above amount was released as follows: Rs 82.60 lakh in February 1997, Rs 198 lakh in March 1997 and Rs 115 lakh in April 1997. Water Harvesting Works were supposed to be executed before the onset of monsoon ie., between March 1996 and September 1996. Because of the delay in release of funds Rs 3.96 crore could not be utilised during 1996-97 and was returned to DRDA in July 1997.

3.4.7.3 Selection of beneficiaries

(a) Guidelines not followed

The CRSP guidelines stipulate that the selection of beneficiaries in the selected village panchayats should be done by a Task Force Committee comprising of the President and members of the Village Panchayat and the Assistant Block Development Officer (ABDO) or his nominee, in the presence of the Grama Sabha. In five blocks in the sample districts, the ABDOs obtained a list of beneficiaries from the Village President, who prepared the list of beneficiaries without convening the Grama Sabha or involving the Task Force Committee.

As per the guidelines, works under Employment Assurance Scheme (EAS) should be executed by engaging the rural youth who have registered themselves with the Village Panchayat for wage employment. In 3 blocks of Vellore District no registered beneficiary was engaged in the execution of EAS works. Further, none of the DRDAs in the sample districts maintained a consolidated list of beneficiaries registered under EAS.

(b) Prescribed ratio not maintained

As per the CRSP guidelines 20 *per cent* of the beneficiaries selected should be from SC/ST category and 3 *per cent* from Physically Handicapped (PH) category. In 11 blocks in 3 sample districts no SC/PH beneficiaries were selected while in the remaining 3 blocks the shortfall ranged from 75 *per cent* to 100 *per cent*. However, the Key Indicator Reports submitted to DRD, showed fulfilment of the ratios in each category. It was noticed from the BPL Survey Reports of Rural Development Department that sufficient SC/ST population was available in the concerned villages under BPL category.

(c) Funds released without identification of beneficiaries

Failure of BDO's in identifying the beneficiaries resulted in non-utilisation of funds.

Under the Development of Women and Children in Rural Areas (DWCRA) Scheme, the women members belonging to BPL families should form themselves into a group and each group would be given a revolving fund of Rs 25,000 by the DRDA. The BDO (Village Panchayats) should identify the group of women eligible for the revolving fund. DRDA, Salem released Rs 29.48 lakh on 30 March 1999 to 20 BDOs to be distributed to 117 DWCRA groups without the ABDO having identified the groups. The funds remained unutilised till 30 September 1999 without achieving the intended benefit. From 1 October 1999 the funds were transferred to SGSY Scheme.

3.4.7.4 Improper execution of schemes

(a) Excess expenditure on EAS works

Works executed in excess of funds allotted.

According to the guidelines issued by Director of Rural Development in April 1998, DRDAs can claim the third instalment of GOI funds for EAS provided 50 *per cent* of the available funds released earlier had been spent at the time of applying for the next instalment. Director, Rural Development had issued instructions to all DRDAs to prepare Action Plan for 1997-98 taking into account three instalments of GOI funds. Accordingly, all DRDAs prepared Action Plan for three instalments and also executed the EAS works as per Action Plan instead of waiting for the receipt of funds from GOI. However, the GOI released only two instalments during 1997-98. Thus, the DRDAs executed EAS works for Rs 293.63 crore while funds released were only Rs 275.88 crore. The excess work executed for Rs 17.75 crores remained unpaid to the line agencies namely Agricultural Engineering department and Public Works Department. Funds were also payable to Panchayat Unions as they had diverted money from other schemes to meet the expenditure on works. The first instalment of funds for 1998-99 were used to settle these pending bills. Again in 1998-99 EAS works were executed for three instalments of funds while GOI released only two instalments. The excess expenditure was met out of funds for 1999-2000. Thus, very little EAS work could be executed by the DRDAs in 1999-2000 resulting in lesser generation of employment.

(b) Irregularity in the payment of wages

The test-check of records at 5 Blocks in Madurai District pertaining to 1997-98 and 1998-99 revealed that the BDOs had shown Rs 12.19 lakh as wages paid to 1302 beneficiaries under EAS. In all the cases the Nominal Muster Rolls (NMRs) did not contain the acknowledgements of the beneficiaries nor the countersignature of the Union Engineer supervising the work.

In Thiruparangundram Block, wages ranging from Rs 40 to Rs 50 per day were paid during 1997-98 to 1998-99 to the beneficiaries though the wage fixed by the Government was Rs 32 per day.

3.4.8 Material Management

Each DRDA calls for tenders for the procurement of steel, cement, doors and windows for construction of houses and sanitary wares. The tenders are evaluated and contracts awarded by DRDA according to the indents received from the BDOs. The BDOs lift the material directly from the supplier and make the payments as per the agreement and send the invoice to DRDA. However, orders are placed directly with Indian Oil Corporation for bitumen by DRDA.

3.4.8.1 Purchase of cement from TANCEM at higher price

Avoidable expenditure of Rs 1.68 crore in purchase of cement.

All the DRDAs in Tamil Nadu were purchasing cement from Tamil Nadu Cement Corporation (TANCEM) based on Government order dated 19 February 1997 until August 1997. In August 1997 the Government issued instructions that the DRDAs may procure cement through open tenders instead of purchasing from TANCEM, if the TANCEM fails to supply in time. Since then all DRDAs have been procuring cement through open tenders. A test check of records in four of sample DRDAs *viz*., Vellore, Erode, Madurai and Salem revealed that 23799.50 Metric Tonnes (MT) of cement was procured from TANCEM from April 1997 to August 1997. However, the rates finalised by DRDAs through open tenders varied from Rs 2227 per MT to Rs 2640 per MT while the rate at which cement was procured from TANCEM was Rs 3,160 per MT (Rs 3140 per MT at Madurai). Thus by procuring cement from TANCEM there was an avoidable expenditure to the tune of Rs 1.68 crore.

Serial Number	Name of DRDA	Cement TANCEM rate (per MT) (Rs)	Rate as per open tenders (per MT) (Rs)	Difference (Rs)	Quantity lifted (MT)	Avoidable expenditure (Rupees in lakh)
1.	Vellore	3160	2227.28	932.72	6596.00	61.52
2.	Erode	3160	2460.00	700.00	9029.00	63.20
3.	Madurai	3140	2640.00	500.00	6914.50	34.57
4..	Salem	3160	2480.00	680.00	1260.00	8.57
	Total					**167.86**

3.4.8.2 Non-maintenance of advance payment register

As per the accounting procedure, each DRDA should maintain an Advance Payment Register to monitor the advances made to supplier and watch their utilisation. In the sample districts no Advance Payment Register was maintained by the DRDAs. As a result, Rs 83.19 lakh advance paid (Appendix XXV) to Tamil Nadu Steels Limited (TNSL) by four DRDAs[5] during 1995-98 remained unadjusted and no steel had been supplied by TNSL at all against the advance payment. The firm was closed in September 1997 and the amount was not recovered from TNSL as of March 2000.

3.4.8.3 Stock register not maintained

The revised Accounting procedure for DRDA, which came into effect from April 1985, stipulates the maintenance of Stock Register separately for consumable and non-consumable articles for which the DRDA should arrange physical verification atleast once a year. However in the sample districts, no stock register was maintained.

3.4.9 Manpower Management

The manpower of Rural Development Department consists of 87 categories of employees totalling 15,258 as against the sanctioned strength of 16,328 as on July 1999.

3.4.9.1 Inadequate Engineers at Block level

Posts of Assistant Engineers lying vacant resulted in inadequate supervision of works.

Each panchayat union has a sanctioned strength of two Union Engineers for technical supervision of rural development works at block level/village level. Although, the Director of Rural Development had filled up 662 posts during 1997-2000, there were still 174 vacancies as on 1 April 2000. This has serious implication on the effectiveness of rural development works as the Union Engineers are responsible for preparation of estimates, technical supervision, check measurements, authorisation of payment etc.

3.4.9.2 Manpower planning

(a) Uniform staffing pattern of Panchayat Unions irrespective of the size of the Blocks

The Government in June 1997 ordered an uniform staffing pattern in all the panchayat unions without considering the number of village panchayats, population, area, terrain or volume of scheme works etc., in each Block.

As per Section 4 of the Tamil Nadu Village Panchayats Act, 1994, a village panchayat has been defined as 'portion of one or more revenue villages with a population estimated at not less than 500'. But there is no specific definition or norms for creation of a panchayat union. As per Section 15 of the Act, a block is formed at the discretion of the Government by publishing a notification to that effect. Thus, the number of village panchayats in a block varied from 3 in Gudalur Block (Nilgiris District) to 73 in Uthiramerur Block (Kancheepuram District) and block population varied from 22,423 in Cumbum Block (Theni District) to 1,64,216 in Cuddalore Block (Cuddlore District). Further, scheme funds were allocated to the blocks only on the basis of population. However, the staff available in each panchayat union remains uniform resulting in under-utilisation of staff in some blocks and shortage in others.

---

5 Erode, Madurai, Vellore and Villupuram.

(b) Unjustified deployment of Extension Officers (Animal Husbandry) and Extension Officers (Co-operation)

Continuation of 770 posts of Extension Officers in panchayat Unions despite the merger of IRDP into SGSY.

Two Extension Officers (EOs) in each block (one each for Co-operation and Animal Husbandry) were assigned the work connected with implementation of IRDP till March 1999. Government merged in April 1999 the IRDP with the new scheme SGSY. Guidelines issued by the Government did not contemplate any role for the EOs in SGSY. However, Government did not review the manpower position for redeploying these EOs elsewhere and salary of Rs 6.21 crore was drawn by the 770 EOs during April 1999 to April 2000 in Rural Development Department.

3.4.10 Monitoring

3.4.10.1 Utilisation Certificates

Entire funds released by DRDA shown as utilised.

Funds released by the DRDAs to the BDO were shown as expenditure in the UCs irrespective of whether the money was spent by the BDOs or not. As a result the balance of funds available with the BDOs was not taken into account while arriving at the closing balance under the schemes. Also the interest accrued on the deposits held by the BDOs under various schemes was not reflected in the accounts. Thus, the true position regarding the utilisation of funds for various schemes was not reflected in the accounts.

a) The DRDA, Madurai gave utilisation certificate showing an expenditure of Rs 93.30 lakh for the Namakku Naame Thittam Scheme for 1998-99. However, the scrutiny of the Cash Book and Pass Book revealed that a balance of Rs 32.58 lakh remained unspent with DRDA as on 31 March 1999.

b) The balance of Rs 1.56 crore available under IRDP with DRDA Madurai as on 31 March 1999 was not reported to GOI. Instead, utilisation certificate was given showing the above amount as expenditure. This resulted in excess allocation of Rs 1.56 crores for SGSY for the year 1999-2000 by GOI.

3.4.10.2 Discrepancy between the statement of accounts and the actual closing balance in the Cash Book/Pass Book

In DRDA, Madurai , for the year 1998-99 there were differences between the closing balance as per accounts and the closing balance as per Cash Book/ Pass Book under various schemes. The balance as per Cash Book/Pass Book was substantially higher than the closing balance exhibited in the accounts as shown in the table

(Rupees in lakh)

Scheme	Closing balance as per accounts	Closing balance as per Cash Book/Pass Book	Difference
Supply of improved tool kits to Rural Artisans	4.32	20.14	15.82
IRDP	38.78	47.77	8.99
TRYSEM	0.07	1..54	1.47

On 1 April 1999 the above schemes were merged with SGSY and the balances as per the accounts were transferred to SGSY funds. The unreported balance of funds remained with the DRDA.

3.4.11 Response to Audit

(i) 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. Serious irregularities are reported to Heads of departments and Government as well and included in the Reports of Comptroller and Auditor General of India and presented to the Legislature.

(ii) Based on the detailed replies received from Government, the paragraphs included in Audit Reports are discussed by the Public Accounts Committee (PAC) and suitable recommendations are made by the Committee. Further follow up action is required to be communicated by the Government on all these recommendations. Despite PAC's instructions to Government Departments for furnishing prompt reply to pending recommendations, there were 187 recommendations (6 Reports) relating to 1982-83 to 1992-93 of Rural Development Department pending final settlement as indicated below, as of September 2000.

Year	Number of PAC Reports	Number of recommendations
1982-83 and 1983-84	1	6
1984-85 and 1985-86	1	10
1987-88	1	24
1988-89	1	51
1989-90 and 1990-91	1	13
1991-92 and 1992-93	1	83
Total	**6**	**187**

2. The outstanding paras as of February 2000 in respect of Inspection Reports (IRs) issued by Accountant General (AG) and objections raised by Director of Local Fund Audit (LF) are listed below :

	Number of IRs	Paras
AG audit objections	607	2,371
LF audit objections	--	2,19,014

3.5 District Primary Education Programme (School Education Department)

Summary Highlights

The District Primary Education Programme, a Centrally sponsored scheme was implemented in the State through a registered society with the main objective of revitalising primary education system and achieving the goals of universalisation of primary education.

Review revealed that the basic objectives of District Primary Education Programme, namely, to provide access for all children to primary education and to reduce drop-out rates to less than 10 per cent could not be achieved in any of the seven districts where the programme was implemented.

There was no significant impact on enrolment of children in the age group of 6-11 years in 1999-2000 compared to the enrolment in 1995-96. The drop-out rate in primary classes ranged from 15 to 16 per cent during 1996-99 as against the goal of 10 per cent. Even after completion of five years of project period (phase I) the average achievement levels have not increased to 25 per cent over measured base line levels. Special coaching centres were not opened in many places (in phase I districts); as a result, large number of girls and Scheduled Castes/Scheduled Tribes children were not provided the benefits of the scheme. Similarly, adequate number of Alternative Schooling Centres were not set up, which resulted in inadequate coverage of non-starters/drop-outs thereby affecting enhancement of school effectiveness. Some significant findings of audit are as follows:

- **Short release of funds by Government of India to the extent of Rs 11.55 crore under Phase I and Rs 7.70 crore in respect of Phase II programmes due to inability of the Society to utilise the grants released each year fully. Scheme funds released by Government of India to the Society were initially credited to deposit account of the Society with State Government. There was delay ranging between 30 and 325 days in releasing State's share of funds.**

(Paragraph 3.5.5)

- **Failure to execute the construction of school buildings through community participation resulted in excess expenditure of Rs 7.68 crore.**

(Paragraph 3.5.6.1(c))

- **Extra financial commitment from scheme funds on account of appointment of additional teachers, in the absence of increase in enrolment of students, to the extent of Rs 13.63 crore.**

(Paragraph 3.5.6.3)

- **Percentage of increase in enrolment during 1995-2000 was quite insignificant in 2 districts and showed negative trend in 3 districts of phase I/II. The drop-out rate ranged from 15 to 16 *per cent* in five project districts during 1996-99.**

(Paragraph 3.5.6.4.(i) and (ii))

Abbreviations used in this review are listed in the Glossary in Appendix XLVII (page 276).

- **Raising of average achievement levels by at least 25 *per cent* over measured baseline levels was not achieved in language.**

(Paragraph 3.5.6.4 (iii))

- **In four districts, 1033 Alternative Schooling Centres were opened which covered only 11 *per cent* of the eligible children.**

(Paragraph 3.5.6.4 (v))

- **Early Childhood Care and Education Centres were not opened under the scheme in areas not covered under Integrated Child Development Services scheme.**

(Paragraph 3.5.6.4 (vi))

- **Only 17 *per cent* of disabled children identified in the project districts were covered.**

(Paragraph 3.5.6.4 (vii))

3.5.1 Introduction

The Government of India (GOI), Ministry of Human Resources Development (Department of Education) launched the District Primary Education Programme (DPEP) in 1994, as a Centrally sponsored scheme, with a view to revitalise the primary education system and to achieve the objective of universalisation of primary education. Seven districts in Tamil Nadu were selected.

The objectives of the scheme, *inter alia,* are.

(i) to reduce differences in enrolment, drop-out and learning achievement between gender and social groups to less than 5 *per cent.*

(ii) to reduce overall primary drop-out rates for all students to less than 10 *per cent.*

(iii) to raise average achievement levels by at least 25 *per cent* over measured baseline levels by ensuring achievement of basic literacy and numeracy competencies and a minimum of 40 *per cent* achievement levels in other competencies by all primary school children.

(iv) to provide access to all children to primary education classes (I-V) i.e primary schooling wherever possible, or its equivalent non-formal education (NFE).

3.5.2 Action Plan

The programme adopted area-specific approach with district as the unit of planning. The programme components include (i) Construction of class rooms and new schools, (ii) Opening of Alternative Schooling Centres (ASC), (iii) Appointment of new teachers, (iv) Setting up of Early Childhood Care and Education Centres, (v) Setting up of Block Resource Centres (BRC)/Cluster Resource Centres (CRC), (vi) Training of teachers and development of teaching -learning materials and (vii) Special intervention for education of girls and Schedules Castes/Scheduled Tribes (SC/ST),

(viii) strengthening of State Councils of Educational Research and Training (SCERTs)/District Institutes of Educational Training (DIETs) and (ix) Research based interventions.

3.5.3 Organisational set up

The programme was implemented by a registered state level autonomous society, *viz.*, "Tamil Nadu State Mission of Education for All" (Society). The two organs of the Society are Governing council with Chief Minister as ex-officio President and Executive Committee of which the Secretary, Education Department of the State is the Chairman. The State Project Director (SPD) is the Member Secretary of these two bodies and the executive responsibility vests with him. Both Governing Council and Executive Committee included officers of the Government of India (GOI). There are District Level Committees in every DPEP district and the Collector of the district is the ex-officio President of the Committee. District Elementary Educational Officers of the districts are ex-officio Member-Secretaries of District level committees and are also the District Programme Coordinators. The plans were formulated and implemented with the active participation of the community, Non-Governmental Organisations (NGOs), etc. They were adequately represented in the management of the project at all levels.

The phase I districts *viz.*, Cuddalore, Dharmapuri, Tiruvannamalai and Villupuram were selected for implementation of DPEP during 1994-95 to 2000-2001 on the criterion that female literacy in these districts was below national average. Pudukottai, Perambalur (with a low female literacy rate) and Ramanathapuram (being backward district) were selected under phase II for implementation during 1997-2002.

3.5.4 (a) Audit coverage

Review on the implementation of DPEP in the State was conducted by Audit during November 1999 to April 2000 covering the period from 1994-95 to 1999-2000. Records in School Education Department of State Secretariat, offices of the (i) State Project Director, Chennai (ii) Director of Teacher Education, Research and Training (DTERT) (iii) District Programme Coordinators (DPC) of Cuddalore, Dharmapuri, Tiruvannamalai, Villupuram and Pudukottai districts (iv) Block Resource Centres (BRCs) at Hosur, Krishnagiri, Morappur, and Thalli blocks in Dharmapuri District, Arni, Jamunamarathur, Kilpennathur and Polur in Tiruvannamalai district, including records of more than 200 primary schools, were test-checked.

(b) The services of ORG centre for social research, a division of ORG-Marg Research Ltd. was commissioned by the Comptroller and Auditor General of India with a view to obtaining the beneficiary perception of the programme and related matters. The ORG-Marg carried out survey over a sample, determined on the basis of District Development Profile on Primary Education, Socio-economic compositions, incidence of school drop-outs etc. Findings of the survey on matters discussed in the report have been included in this review at appropriate places.

2-24—19a

3.5.5 Resources

The programme is a Centrally sponsored scheme. Central funds are released to the Society directly by GOI and not routed through State Government budget. The contribution of GOI is 85 *per cent* and balance is funded by Government of Tamil Nadu. It is an externally aided project and reimbursement by International Development Association (IDA) is based on actuals at prescribed percentages laid down in project agreement. The funds released by GOI and State Government to the Society are initially credited to deposit account of the Society with the State Government, bearing interest of 5 *per cent*.

During the period 1994-95 to 1999-2000, an expenditure of Rs 123.45 crore was incurred under DPEP against the release of Rs 139.13 crore by the GOI/State Government to the Society. The table showing the shortfall in achievement with reference to Annual Work Plan Budget (AWPB) in respect of various DPEP activities under Phase I and II is depicted in Appendix XXVI.

The amount released and expenditure incurred under Phase I and Phase II of the programme were as under:

(Rupees in crore)

	Total outlay	Budget of the Society upto March 2000	Grants released (up to March 2000) by				
			GOI	GTN	Total release	Expenditure	Unutilised balance
Phase I Districts (1994-2001)	125.97	111.23	84.80	14.88	99.68	92.91	6.77
Phase II Districts (1997-2002)	92.44	47.15	33.53	5.92	39.45	30.54	8.91
Total	**218.41**	**158.38**	**118.33**	**20.80**	**139.13**	**123.45**	**15.68**

Since the Society could not utilise funds fully, and huge unspent balance remained at the end of each year, GOI did not release Rs 11.55 crore for Phase I (1994-95 to 1999-2000) and Rs 7.70 crore for the years 1997-2000 for Phase II of the programme even though the Budget provided for these amounts.

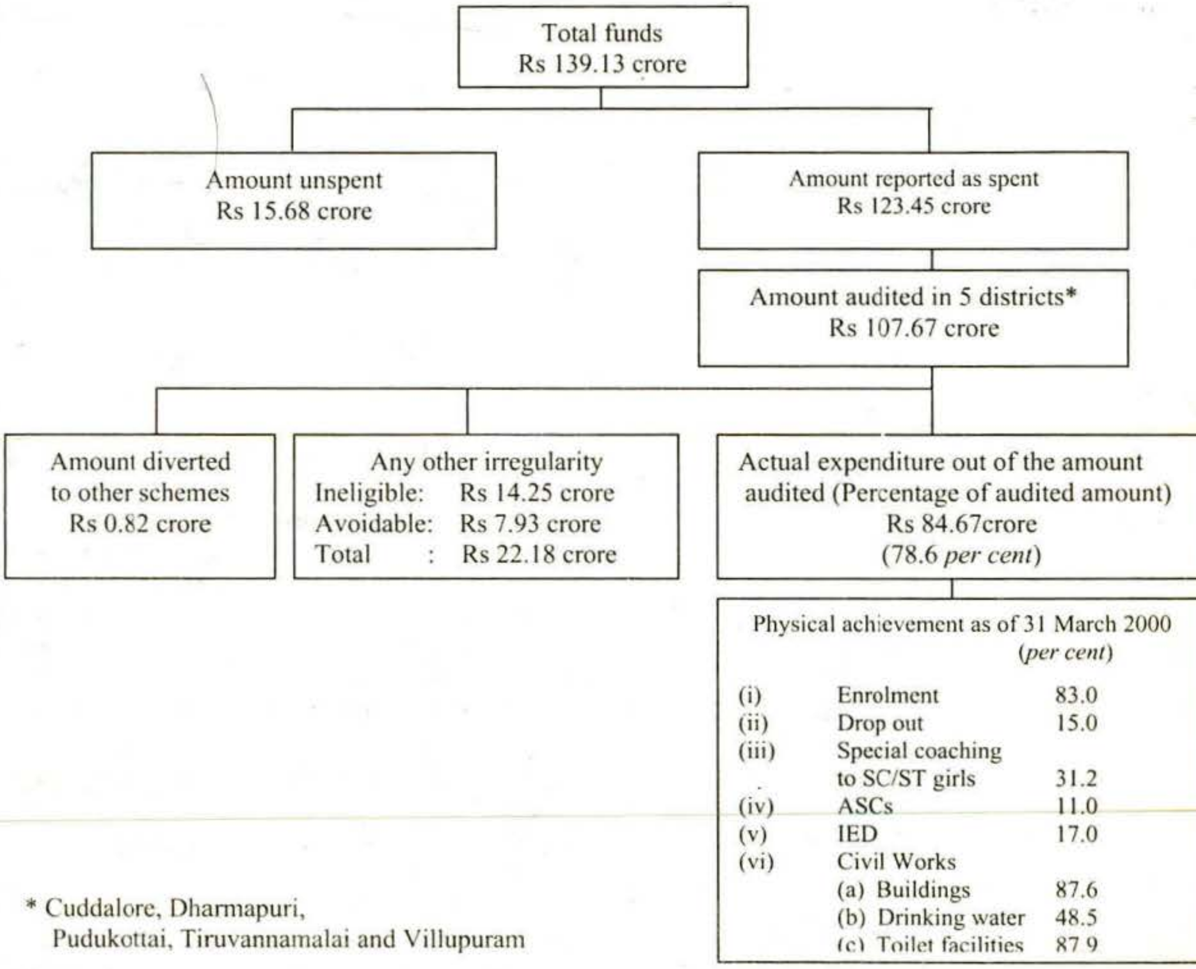
Following further points were noticed in this regard.

Rs 14.25 crore spent on items not covered under the programme, included as expenditure.

(i) Out of the total expenditure of Rs 123.45 crore incurred on DPEP, Rs 14.25 crore represented certain items not covered under the programme as discussed in paragraph 3.5.6. An expenditure analysis chart showing details of funds released, diverted and other irregularities in respect of 5 sample districts is exhibited in Figure 1.

Figure 1

Financial chart indicating funds released, expenditure incurred and irregularities noticed in test-checked districts for the period 1994-2000



* Cuddalore, Dharmapuri, Pudukottai, Tiruvannamalai and Villupuram

Delay in release of State share.

(ii) It was observed that there was delay ranging from 30 days to 325 days in sanctioning and releasing the matching grant by the State Government.

3.5.6 Programme implementation

The project outlay for phase I and phase II of the programme were Rs 125.97 crore and Rs 92.44 crore respectively. It was envisaged that expenditure on civil works should be limited to 24 *per cent* and management cost limited to 6 *per cent* of the outlay.

3.5.6.1 Civil Works

The DPEP finances civil works (limited to 24 *per cent* of project cost) such as construction of new primary schools, new class rooms, major repairs, construction of toilets, water supply, electrification etc. The details of civil works completed/works in progress upto March 2000 are given below.

	Planned	Completed	Work in Progress
Construction of classrooms/ BRCs etc (in numbers)	1359	1190	169
Provision of Drinking water facilities (Number of schools)	1504	730	774
Toilet facilities (Number of schools)	1504	1322	182

In respect of 32 school buildings constructed during 1995-99 in four phase I districts the cost exceeded the estimate by Rs 16.35 lakh. The SPD in July 2000 stated that special type of foundation owing to poor soil condition was adopted.

The deficiencies/irregularities noticed in the execution of civil works are brought out in the following paragraphs:

Additional construction from DPEP funds were not utilised for DPEP purposes.

(a) A building with ground floor plus two floors constructed at a cost of Rs 1.32 crore at Chennai was meant for Headquarters office-*cum*-training centre of the Society. But, later in November 1996 sanction was accorded by SPD for construction of third floor in this building for use as dormitory for trainees of DPEP. As there was no boarding facility in the dormitory the trainees were not willing to occupy the dormitory. Consequently, the dormitory was allotted (September 1998) to the office of Director of Elementary Education. Thus, the dormitory built at a cost of Rs 25.44 lakh was used for a purpose not envisaged in the programme.

(b) Construction of offices for DPCs in four districts of phase I

GOI guidelines provide for construction of accommodation for BRCs and CRCs. Three class-room type buildings in each block were constructed in 71 blocks under Phase I of the scheme at a cost of Rs 2.75 crore. The first floor of BRC building was also constructed at a cost of Rs 19.30 lakh, at Cuddalore, Villupuram, Tiruvannamalai and Dharmapuri for accommodating DPC offices, which was not permissible under the scheme.

(c) Non-execution of civil works under community participation

Community participation was poor.

According to the guidelines issued by GOI, new school buildings and extension/repair of existing school buildings through low cost indigenous materials, vernacular design and participative construction methods, are to be provided under primary formal education, subject to State norms being adopted. The Ministry of Human Resources Development in August 1998 and September 1999 had emphasised the need for civil works to be undertaken with community participation for achieving significant cost savings. Although the cost of construction by community participation was much less than that by Public Works Department (PWD), the Society did not take advantage of this to get more construction works done through the village community. It was noticed that 1187 class room buildings and BRC buildings were completed in seven districts at an estimated cost of Rs 51.85 crore as of March 2000. Out of this, only 24 buildings (2 *per cent*) were constructed under community participation (cost: Rs 64 lakh) and the remaining 1163 buildings were constructed by PWD through contractors. The Educational Consultants India Limited (Ed-CIL) (Task group) anticipated 15-20 *per cent* savings under community participation work compared to National Competitive Bidding.

By entrusting the work (98 *per cent*) to PWD the cost saving was foregone to the extent of at least Rs 7.68 crore.

The Beneficiary Survey reported that the role of Village Education Committee (VECs) was limited in site selection, construction works, raising funds/labour for construction and in monitoring/ supervision activities for construction works at the BRC/CRC level. Only 5 *per cent* of the VEC/Village Construction Committee (VCC) members contacted in Tamil Nadu confirmed their participation in these activities. Further, the construction of additional classrooms had been undertaken in only 2 *per cent* of the sample schools. Only 8 *per cent* of the VEC members contacted confirmed their involvement in construction of schools.

(d) Maintenance of buildings constructed under DPEP not ensured

Non-provision of maintenance cost for buildings constructed under DPEP.

Though guidelines provide for maintenance of buildings, no provision was made in the annual budget of the Society for the maintenance of 915 buildings constructed during 1994-2000 at a cost of more than Rs 30 crore in phase I. In respect of 677 class room buildings in four districts, for which information was received in audit, major defects like leakage in roof, crack in walls etc., were reported in respect of 126 buildings. The very purpose of providing pucca class room buildings is defeated because of non-provision of periodical maintenance.

The Beneficiary Survey revealed that improvement and upgradation of basic infrastructure facilities *viz.*, repairs of school buildings and construction of toilets/urinals had also been undertaken only in a limited proportion of schools. While repair activities had been done in about one-tenth (10 out of 100) of the schools, provision of basic amenities, *viz.*, drinking water and toilet facilities had been made in only 11-18 *per cent* of the schools.

3.5.6.2 Management cost

Programme management cost includes staff accommodation, equipments, vehicles, other office equipments and maintenance and operation costs. The management cost was Rs 4.72 crore, which constituted 5.5 *per cent* of the project expenditure (Rs 86.50 crore) during 1994-1999. However, of this Rs 24.76 lakh was spent on purchase of equipment for various offices which are not directly connected to the implementation of DPEP.

3.5.6.3 Appointment of additional teachers

Extra commitment of Rs 13.63 crore in appointment of additional teachers in the absence of increase in enrolment of children.

According to the guidelines, financing for newly appointed teachers from the third year onwards would be on a school to school basis where extra enrolment and teacher-pupil ratio (with reference to the first year of the project) warrant such appointments. It was noticed that 1026 new posts of teachers were sanctioned and appointment made by Government during 1997-98 in four sample districts *viz.*, Dharmapuri (487), Tiruvannamalai (144), Cuddalore (89) and Villupuram (306).

There was only marginal increase in enrolment of children in Dharmapuri District to the extent of 5534 (1.95 *per cent*) during 1997-98 compared to the number of children enrolled in 1995-96 as shown in Appendix XXVII. In respect of other three districts, the enrolment of children actually declined between 1995-96 and 1997-98. Based on the teacher-pupil ratio of 1:40, only 138 out of 487 teachers posts in Dharmapuri District were eligible for financing under DPEP. The extra commitment in the appointment of 888 teachers (349 in Dharmapuri and 539 in other three districts) in violation of the norms worked out to Rs 13.63 crore for the period August 1997 to January 2000. As this was not contemplated in the guidelines of the scheme, the extra amount incurred from DPEP funds was not in order.

Government in its reply (September 2000) stated that 1026 teachers were appointed to convert single teacher schools with the strength of above 50 into double teacher schools and to appoint a third teacher to double teacher schools with a strength of more than 100 to avoid multi-grade teaching situation. It was also stated that teacher-pupil ratio cannot be a norm for appointment of teachers especially to convert single teacher into double teacher schools.

Since the Government of India guideline was very clear that new teachers posts would be financed only if the extra enrolment and teacher-pupil ratio warrant such appointments, the contention of Government is not tenable. Conversion of single teacher school to double teacher school etc., are not part of the DPEP.

3.5.6.4 Performance indicators

(i) Enrolment

Percentage of increase in enrolment is quite insignificant in two districts and showed negative trend in 3 districts of phase I/II.

As the table below shows, of the sample districts, only two districts registered marginal increase while other three showed a decline in enrolment.

District	Net Enrolment Ratio	
	1995-96	1999-2000
Dharmapuri	66	67
Tiruvannamalai	75	69
Cuddalore	69	65
Villupuram	69	71
Pudukottai	70 (1996-97)	69

It is apparent that DPEP could not make any significant impact on enrolment as required. The Gross Enrolment Ratio (GER) and Net Enrolment Ratio (NER) of these districts either remained static or showed declining trend except in Villupuram and Dharmapuri districts during 1996-99 as shown in the Appendix XXVIII. Further , the difference in percentage of enrolment between boys and girls was more than 5 *per cent* for all the years 1994-2000 in respect of Dharmapuri district *vide* Appendix XXVII. The gender difference was not significant in four sample districts.

The Beneficiary Survey also disclosed that the enrolment showed a negative trend during 1995-96 to 2000-2001 in 89 schools in 4 sample districts *viz.*, Dharmapuri, Tiruvannamalai, Ramanathapuram and Pudukottai. The enrolment declined by 1 to 3 *per cent* per annum.

(ii) Drop-out

Reduction in overall primary drop out by less than 10 *per cent* not achieved.

The guidelines envisaged the drop-out rate in primary classes to be reduced to less than 10 *per cent*. The statistics in respect of five project districts compiled by the District Programme Coordinators based on the information furnished by the Head Masters of schools revealed that during 1996-99 the drop-out rate ranged from 15 to 16 *per cent* inspite of the implementation of the scheme. The drop-out rate of girl students ranged from 16 to 17 *per cent*.

Test-check by audit in 182 schools of two districts (Dharmapuri and Thiruvannamalai) revealed that the average drop-out rate was 16 *per cent*.

Figures furnished by State Project Directorate (SPD) through 'cohort'study[1] which is a more relevant technique conducted during 1998-99 also recorded the drop-out rate at 14-22 *per cent* in these districts.

The Beneficiary Survey conducted in 89 schools also reported that in Tamil Nadu, 15 *per cent* of the students enrolled in primary classes dropped out during 1999-2000. In all, 61-64 *per cent* of the dropouts continued to occur in classes I-III.

(iii) Achievement levels

Raising of average achievement levels by atleast 25 *per cent* over measured baseline levels not achieved.

A comparison between Baseline Assessment Survey (BAS) (conducted in 1994) and Mid-term Assessment Survey (MAS) (in June 1997) conducted by Educational Research, Evaluation and Monitoring Wing of the Office of the State Project Director in four districts revealed that among children of Standard I the achievement level had increased by over 25 *per cent* in Mathematics but the increase was far below 25 *per cent* in language as detailed below.

District	Language			Mathematics		
	BAS	MAS	Percent increase	BAS	MAS	Percent increase
Dharmapuri	39.6	44.7	12.9	35.3	57.0	61.5
Thiruvannamalai	32.5	38.6	18.8	30.6	62.4	103.9
Cuddalore	40.3	41.0	1.7	34.8	57.6	65.5
Villupuram	40.3	52.8	31.0	34.8	78.4	125.2

The achievement level in other competencies was not measured at all.

(iv) Special coaching for SC/ST

Shortfall in achievement in giving special coaching for SC/ST children.

The GOI guidelines provide for conducting special coaching classes to all girls, and also boys belonging to SC/ST. In Tamil Nadu, SC/ST girls were only given special coaching. A review of the District Information System for Education (DISE) registers maintained by DPCs revealed that the percentage of short fall in special coaching given to SC/ST girls during 1996-2000 ranged between 60 to 100 *per cent* in Dharmapuri, Thiruvannamalai, Cuddalore and Villupuram. The shortfall was attributed by DPC, Villupuram and DPC, Cuddalore in April 2000 to direction issued by State Project Director to cover only SC/ST girl students of III to V standard and starting of special coaching centres in places where student strength was 20 and above. Due to such restrictions, which were not imposed in the GOI guidelines, many centres could not be opened in four phase I districts and large number of girls and SC/ST students (both boys and girls) were left out without the benefits of special coaching. In defence, the State Government reported (September 2000) that "Keeping in view availability of resources and practical aspects in conducting such classes, a policy decision was taken to organise coaching classes only if the strength is more than 20 and for classes III to V. Children in classes I and II are far too young to be subjected to the strain of coaching

[1] The cohort study takes into account the pupils enrolled in standard I during 1994-95 and their progress was monitored for the next five years till the completion of primary education.

classes beyond school hours". Decision taken by the Government was not in conformity with the GOI guidelines.

(v) Alternative Schooling Centres

Shortfall in opening sufficient number of ASCs thereby indicating inadequate access for drop-out/non-enrolled children.

With a view to providing access for all children to primary education classes (I-V), Alternative Schooling Centres (ASCs) were to be opened to those who would be still left inspite of efforts to enhance school coverage. No specific norms were adopted for deciding how many ASCs had to be opened for the eligible children (drop-outs/non-starters). In 4 sample districts[2], 1033 ASCs were opened in the year 1999-2000 which covered 23,980 children (11 *per cent* of 2.19 lakh eligible children). Thus, 89 *per cent* of the eligible children were not covered under ASC. Government stated (September 2000) that since the non-starters and drop-outs were scattered, ASCs could not be started in such areas or habitations for want of minimum required strength of 20 in each centre.

(vi) Early Childhood Care and Education (ECCE) Centres

ECCE centres were not opened in non-ICDS areas.

According to DPEP guidelines ECCE centres were to be opened in villages which had not been covered under Integrated Child Development Services (ICDS) scheme. However, it was noticed that no ECCE centres were opened at all in 10,628 villages in 7 project districts though they were not covered under ICDS. Therefore none of the activities under this component were carried out in these villages in 7 districts. In reply the Government (September 2000) admitted that no ECCE centres had been opened in the DPEP districts and stated that to start with, a module was prepared to give training to Anganwadi and Balwadi workers in phase I districts.

(vii) Integrated Education of the Disabled (IED) children

Poor coverage of IED children representing only 17 *per cent* of total disabled children identified.

Universal Primary Education is achieved only when all children are brought under school system and retained for a minimum period of 5 years. Disabled children (with moderate disability) must be brought into formal system of education integrating them with normal children. During 1998-99 seven blocks at the rate of one block per district have been selected to implement IED on trial basis. Six implementing agencies (NGOs) were entrusted with the work of imparting Integrated Education in the blocks. Three specially trained teachers were appointed in each block by these agencies to assist and train the regular teachers. Although 17,031 children with disabilities were identified by the Headmasters with the help of NGOs in seven project districts, only 2,880 children were covered (17 *per cent*) during 1998-2000.

(viii) Printing of teachers' handbook

Preparation, printing and distribution of teachers' handbook for regular classes are done by DTERT, an organisation financed by the State Government. However, during 1998-99 and 1999-2000, handbook for standard III and V teachers were prepared by the SPD and the expenditure of Rs 17.82 lakh was met from DPEP funds, which was not in order.

[2] Cuddalore, Dharmapuri, Tiruvannamalai and Villupuram.

(ix) Printing and distribution of workbooks

Due to belated placing of orders with Tamil Nadu Text Book Corporation, workbooks were distributed in the last quarter of academic year.

According to guidelines, printing and distribution of students' workbook in project districts could be financed from DPEP funds. Though the schools were opened in June 1997, the work books were not supplied to I standard children in 3 subjects in time as orders were placed by SPD only in October 1997 to Tamil Nadu Text Book Corporation and payment of Rs 1 crore was made in March 1998. The work books were supplied by the Corporation and distributed to children only in February 1999. Thus, I standard children of 1997-98 did not get the work books at all. Similarly in 1999-2000, for standards I to III, orders for printing of work books were placed in October 1998 and supplies were effected only in January 2000. Thus, the very purpose of supplying workbooks was not achieved fully due to delay in placing orders with the Corporation and subsequent delay in printing by the Corporation. In the case of minority medium children (Telugu, Kannada, Urdu etc.) in Dharmapuri District, workbooks were not supplied.

3.5.7 Other financial aspects

3.5.7.1 Diversion of funds from DPEP

Diversion of funds amounting to Rs 0.82 crore.

(i) A sum of Rs 18.45 lakh was diverted to Minimum Level learning project, a scheme funded by State Government during 1995-96,

(ii) During 1996-99, DPEP funds amounting to Rs 63.08 lakh were diverted for conducting special orientation for primary teachers, a training programme covered by National Council for Education Research and Training.

3.5.7.2 Non-realisation of interest

Non-realisation of interest from DPEP funds to the extent of Rs 2.53 crore.

According to orders issued by Government in May 1994, the amount credited in the Deposit Account by SPD under DPEP would bear interest at 5 *per cent* per annum. The interest of Rs 1.46 crore accrued for the balance available on 31 March 1999 was not credited to the account by Pay and Accounts office (South), Chennai. Further, an amount of Rs 1.07 crore representing bank interest on DPEP funds during 1994-2000 was lying unutilised with SPD and with DPCs, as the manner in which the interest has to be treated was not indicated in the guidelines. The SPD had also not taken up the matter with GOI in this regard so far.

Non-setting up of Innovation Fund.

3.5.7.3 As per DPEP guidelines, innovative projects should be taken up from the second year of the project for which innovative fund at the rate of Rs 20 lakh per annum at the State level and at Rs 1 lakh at District level were to be set up. However, no such fund was set up either by the State office or by the district offices.

3.5.8 Monitoring

For building community support for primary education, village level committees, (VLC) were to be constituted in every school. However, out of 7,225 schools of four districts *viz*., Dharmapuri, Cuddalore, Villupuram and Tiruvannamalai, VLCs were not formed in 382 schools in 1998-99. Again in these four districts, out of 6,843 schools where VLCs were formed, 14 *per cent* of the committees had not convened any meetings or conducted less than the prescribed six meetings. In the absence of convening the prescribed number of meetings in a year, the implementation of the scheme was not monitored effectively.

The Beneficiary Survey reported that in respect of 80 villages and 20 Census Enumeration Blocks (CEBs) covered, VECs were formed in 79 *per cent* of the villages/CEBs, VCC in 2 *per cent* and Parent Teacher Association (PTA)/ Mother Teacher Council in 77 *per cent*. Further, in the villages where VEC was existent, only 9 *per cent* of the households/parents were aware of the existence of these structures. Only 16 *per cent* of the VEC members confirmed receipt of training under DPEP.

3.5.9 Evaluation

During the project period 1994-2001 of phase I districts a Mid-term Assessment survey was conducted (June 1997) by a State level project team consisting of six professionals for evaluating results of the programme. The findings of MAS has been included under paragraph 3.5.6.4 (iii) above.

The Ninth Joint Review Mission conducted by the World Bank and European Commission representatives in April 1999 had observed the following:

(i) In 1997-98, one district (Cuddalore) recorded an increase of four *per cent* in GER, two districts (Dharmapuri and Tiruvannamalai) recorded a decrease of one *per cent* and in one district (Villupuram) GER remains the same when compared to 1996-97, (ii) When comparing 1995-96 with 1997-98, actual enrolments have decreased by 7,173 in Phase I districts, (iii) significant increase in the GER of SC students is not evident in any of the districts and (iv) Since enrolment in formal schools has plateaued, the construction of schools and classrooms in disadvantaged areas could be considered.

3.5.10 Conclusion

From the foregoing facts, it emerges that the basic objective enunciated in the opening of DPEP *viz.,* to provide access for all children to primary education and to reduce drop out rates to less than 10 *per cent* could not be achieved in any of the 7 districts where the programme was implemented.

3.5.11 Recommendations

The main thrust of DPEP is to achieve 100 *per cent* enrolment of children in the age group of 6 to 11 years, and to provide education through formal and non-formal methods. It is therefore suggested that suitable mechanism will need to be evolved to ensure that all eligible children are enrolled, more number of Alternative Schooling Centres need to be opened to cover drop-outs/non-starters, more number of children identified with disabilities are to be covered under Integrated Education for Disabled children, and Early Childhood Care and Education centres have to be opened. A suitable monitoring system should be put in place to keep a watch as to whether all SC/ST children and all girls are being given special coaching.

The above points were referred to Government in July 2000; the Government generally accepted the facts (September 2000).

SECTION – B
AUDIT PARAGRAPHS

ADI DRAVIDAR AND TRIBAL WELFARE DEPARTMENT

3.6 Promotion of education among Adi Dravidar girls

Funds amounting to Rs 3.93 crore remained unutilised with the District Managers of Tamil Nadu Adi Dravidar Housing and Development Corporation under the Scheme of providing cash incentive to girl children belonging to Scheduled Castes/Tribes with the objective of preventing drop outs from school.

Government approved (August 1994) two new schemes *viz.*, (i) a special incentive scheme to promote literacy among girl children belonging to Scheduled Caste (SC), under which poor rural SC girl children would be given a special incentive of Rs 500 per annum on successful completion of each class from standard III to V; to be implemented in 14 identified districts and (ii) a statewide scheme under which a monthly payment of Rs 100 would be made to poor rural SC girl children for 10 months during a year from standard VI. The Statewide scheme was to be implemented from the academic year 1995-96.

These schemes were to be implemented by Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO) through its District Managers (DMs) in consultation with the Director of Adi Dravidar and Tribal Welfare (DADTW), Director of Elementary Education, Director of School Education and District Collectors concerned.

Funds totalling Rs 28 crore were sanctioned and released to Personal Deposit Account of TAHDCO during 1994-95 to 1999-2000 of which TAHDCO released Rs 26.50 crore to the DMs. An amount of Rs 22.57 crore was utilised by DMs for the implementation of the scheme (February 2000).

As against 2.92 lakh SC girl-students targeted to be covered under Incentive Scheme during 1995-96 to 1999-2000, the actual coverage as of February 2000 was 2.46 lakh (84 *per cent*). Under Statewide scheme, the achievement was 1.04 lakh (71 *per cent*) against a target of 1.47 lakh SC girl children during the same period. In addition, in view of non-utilisation of funds 7,325 and 1,134 Scheduled Tribe (ST) girls were also covered as per Government orders under these 2 schemes during 1997-2000 as of February 2000.

Test-check of records in the DADTW and TAHDCO revealed the following points in the implementation of the scheme.

(i) There was delay in fixing and communicating the districtwise targets by TAHDCO by 3 to 11 months, affecting achievement of targets by the DMs every year.

(ii) Due to poor coverage TAHDCO extended the incentive schemes in November 1998 to all the deserving SC/ST children by collecting the list of beneficiaries from the Head Masters of the schools and paid arrears for earlier years also. However, permission of Government for changing modalities of selection and payment of arrears was not obtained. The payment of arrears for earlier years also defeated the objective of the scheme which was prevention of drop out every year. Poor achievement of targets was found by the various review meetings convened by Government to be due to lack of publicity among the District Educational Officers, non-allotment of target on the basis of drop outs, non-receipt of list of beneficiaries from the officials of Education Department, lack of cooperation/support from the officials of the District Educational Offices, non-willingness of the beneficiaries in opening savings bank accounts. However, having identified the reasons, Government did not take any concrete action for finding a solution to overcome these difficulties.

(iii) While an amount of Rs 3.93 crore was lying unutilised with DMs as of May 2000, an amount of Rs 62.55 lakh refunded as unutilised by 13 DMs between May and December 1999 was still remaining with TAHDCO. Besides, Rs 1.50 crore were with TAHDCO without being released to the DMs.

(iv) Inspite of Government's clarification (September 1995) that the incentive under the Statewide scheme was payable to students in VI standard only during the academic year 1995-96, Rs 27.26 lakh were paid to 2,726 ineligible students who were in VI standard during 1994-95 in Nagappattinam (2,103) and Pudukkottai (623) Districts.

(v) The unutilised amount of Rs 12.45 lakh in Virudhunagar District relating to 1995-96 was diverted for meeting the expenditure on other schemes, which was irregular.

Though the objective of the scheme was to prevent drop outs and promote education among Adi Dravidar girls and the scheme was under implementation in the State for four years, no action was taken to assess the impact of the scheme on the drop out rate of girls.

The matter was referred to Government in May 2000; reply had not been received (February 2001).

AGRICULTURE DEPARTMENT

3.7 Fixation of higher State Advised Price for sugarcane – undue burden to Government exchequer

Government of Tamil Nadu fixed the State Advised Price payable by the Cooperative and Public Sector sugar mills to the sugarcane growers on non-economic considerations and increased it every year. This resulted in an indirect subsidy of Rs 237.68 crore to sugar mills during 1997-2000.

Government of India (GOI) fixes every year the Statutory Minimum Price (SMP) payable by sugar mills to the sugarcane growers, after consulting the State Governments and considering the recommendations of the Commission on Agricultural Costs and Prices. The Government of Tamil Nadu, however, announces a State Advised Price (SAP) to be paid by the sugar mills in the State for each year, which was annually fixed higher than the SMP. Meetings with canegrowers and sugar mills are also held by the Minister for Agriculture. The SAP is fixed with the approval of the Chief Minister taking into account the SMP and the recommendations from the Commissioner of Sugar (COS), who works out the cost of cultivation of sugarcane, and compares the remuneration from competing crops such as paddy.

The SMP fixed by GOI, the price recommended by COS and the SAP fixed by Government during 1994-95 to 1999-2000 illustrate the fact that the SAP was fixed at a much higher level than the SMP and also higher than the price recommended by the COS.

(Rupees per tonne)

Year	SMP	Price recommended by COS	SAP fixed by State Government
1994-95	391	479	525
1995-96	425	530	560
1996-97	459	560	599
1997-98	484.50	630	660
1998-99	527	702.50	702.50
1999-2000	561	702.50	740

For 1996-97, COS recommended (December 1996) only Rs 560 per tonne on the ground that the mills were not in a position to bear the additional financial burden. Secretary, Agriculture recommended (January 1997) Rs 594 per tonne to maintain the difference of Rs 135 between the SMP and SAP of 1995-96. The Secretary, Industries and Secretary, Finance suggested for continuation of SAP at 1995-96 level of Rs 560 per tonne. The Government, however, fixed the SAP at Rs 599 per tonne, since the canegrowers wanted the higher rates.

For 1997-98, COS recommended (October 1997) a price of Rs 630 per tonne. However, Government fixed (December 1997) the SAP at Rs 660 per tonne and no reasons were recorded for the decision.

For 1998-99, the COS opined that the cooperative mills and public sector mills were in a poor financial position and requested for sanction of grants-in-aid of Rs 148.21 crore to enable them to pay even the rate of Rs 660 per tonne. Secretary, Industries was also of the opinion that further increase in SAP without considering the huge cumulative losses of the sugar mills would pave the way for the collapse of the sugar industry in the State. The Finance Secretary recommended that the SAP be retained at the same level as in the previous year, since even in the previous year, the mills could pay at Rs 660 per tonne only after Government gave a Ways and Means advance of Rs 76.41 crore, which had not been refunded so far. The Agriculture Minister, however, recommended that the SAP be raised to Rs 702.50 per tonne, so that the difference between SMP and SAP remained at the same level as in 1997-98. This was approved by the Chief Minister and notification was issued in June 1999.

Thus, the SAP was increased year after year on non-economic considerations, despite increase in losses by the mills. The cumulative losses of the 19 mills increased from Rs 202.86 crore as of March 1996 to Rs 507.81 crore as of March 1999. To enable the mills to clear the dues to the canegrowers, Government gave huge Ways and Means advances to the mills, aggregating Rs 245.96 crore in three years.

(Rupees in crore)

Year	Number of mills	Ways and Means Advances given
1997-98	14	10.64
1998-99	13	76.41
1999-2000	14	158.91

The Ways and Means advances were to be refunded within the same financial year. However, the mills refunded only Rs 8.28 crore in these three years and considering their adverse financial position, there was little prospect of recovery of the advances. The advances could, therefore, be construed as indirect payment of subsidy.

It was observed that the SAP fixed by Andhra Pradesh Government for 1998-99 and 1999-2000 was Rs 652.50 per tonne only. The SAP in Maharashtra was Rs 560 per tonne in 1998-99 and 1999-2000.

The matter was referred to Government (April 2000); Government while admitting (August 2000) the position, stated that separate action is being taken regarding non-repayment of the Ways and Means advances by the sugar mills.

3.8 Relief assistance to agricultural farmers for crops damaged due to floods

Government provides relief under "Relief on account of natural calamities" to agricultural farmers for the crops damaged due to floods and cyclone.

Test-check of records* relating to the payment of relief to agricultural farmers whose crops were damaged due to heavy rains and flood during June and December 1996, December1997 and December 1998 revealed the following irregularities/deficiencies.

Non-submission of proper reports on the extent of damages caused by floods in Cuddalore District after December 1997 and December 1998 floods.

(i) (a) In December 1997, the Principal Commissioner and Commissioner of Revenue Administration, based on the report of the Joint Director of Agriculture (JDA), Cuddalore, regarding the extent of damages caused by flood in December 1997, allocated an amount of Rs 25.13 lakh. On verifying the list of affected farmers given by JDA, the District Collector reported (May 1998) that there was no damage to the crops due to the floods in the respective taluk areas. The District Collector, thus, remitted (June 1998) the entire amount back to Government account.

(b) Similarly, an amount of Rs 1.25 lakh allotted to Cuddalore District after the floods in December 1998 was also remitted back to Government account as it was found that there were no fully damaged crops in the district.

Survey number, area of cultivation etc., were not noted in the applications.

Payment of relief assistance without ensuring the extent of damages to crops.

(ii) Audit observed that in most of the applications, the survey number, extent of area owned/cultivated etc., were not indicated, with the result, the genuineness of claimants was not ensured. Also despite instructions, the Assistant Directors of Agriculture of four districts test-checked by Audit had not maintained registers like application register, claim-pending register, expenditure-watching registers to ensure proper disbursement of relief assistance. The JDAs paid relief assistance of Rs 7.40 crore to 1.63 lakh farmers during June 1996-February 2000 in 4 districts@ even without verifying the damages. Also, in respect of partially damaged crops, there was no recorded certificate by the Agricultural Development Officers (ADOs) to the effect that the extent of damage was 50 *per cent* and above. Thus, the assistance of Rs 3.75 crore was extended to farmers for partially damaged

* Records in Agriculture Department, Directorate of Agriculture and offices of Joint Directors of Agriculture in Cuddalore, Kancheepuram, Tiruvallur and Villupuram.

@ Cuddalore, Kancheepuram, Tiruvallur and Villupuram.

crops in 2 districts *viz.*, Cuddalore and Villupuram without ascertaining the extent of damages the crops suffered due to floods.

Lacuna in the custody and issue of cheques and non-supervision resulted in issue of cheques for more than the allocated amount and further irregularities in payment of relief assistance.

(iii) Under the revised system of paying relief assistance in cash from January 1997, the funds were placed at the disposal of each ADO in a specified bank by the District Collectors and cheque leaves were provided to them for payment to the affected farmers. Audit found that ADOs of Melmalayanur and Gingee blocks in Villupuram District had issued cheques during January-March 1997 in excess of funds placed at their disposal to the tune of Rs 64.34 lakh and Rs 2.81 lakh respectively. These cheques were issued without verifying the balance at credit in banks periodically. The bank officials had also cleared the cheques without taking regular precautions like checking availability of funds, posting of daily transactions, check of genuineness etc., fearing mob-attack. The committee constituted by the District Collector on receipt of complaint from public found that out of 8,774 cheques for Rs 67.15 lakh collected back (29 March 1997), 6790 cheques for Rs 55.33 lakh were not genuine, as either the signature of ADOs were forged, or name of the farmer mentioned on the cheque did not find place in the enumeration list certified by officials or survey numbers differed. JDA Villupuram after verification of 10,573 cheques encashed during 24 January 1997 and 27 March 1997 in Melmalayanur block reported to the Director of Agriculture in July 1997 that there were irregularities like payment on duplicate cheques, payment after altering cheque number etc. These irregularities had not been pointed out by any of the Assistant Directors/ Deputy Directors although they were required to verify 10 *per cent* of claims at random besides supervising the proper distribution of cheques by the ADOs.

Thus, proper system for the custody and issue of cheques, after due identification of the farmers, had not been followed. The ADOs had also not verified the balance in the bank before issue of cheques, which was a serious lapse.

The matter was referred to Government in April 2000; reply had not been received (February 2001).

3.9 Integrated programme on pulse seed centre and seed multiplication scheme

Significant shortfalls during 1995-2000 in procurement of foundation seeds were noticed. An excess expenditure of Rs 18.10 lakh was incurred during 1997-2000 in 4 sample districts due to procurement of pulses at a higher rate.

Government was implementing the State Plan Scheme of Integrated Programme on pulse seed centre and seed multiplication since 1978 with the main objective of procurement and distribution of quality seeds of new and improved varieties of pulses to farmers to increase the production of pulses. Under the scheme, breeder seeds, procured on payment (cost basis) from Universities, Government Institutions and Farm Corporations, were to be multiplied as foundation seeds and were to be procured, certified and distributed to farmers through Agricultural Extension Centres. As per the pricing policy of Government in vogue since December 1990, the price of the certified seeds to be supplied to farmers was based on the Local Market Rate (LMR) plus 35 *per cent*.

In the five test-checked districts*, though the Assistant Directors of Agriculture (ADAs) had no discretion to fix the price of seeds, they had procured the certified seeds from agencies at rates higher than the rate arrived at as per pricing formula prescribed by Government. This resulted in an excess expenditure of Rs 18.10 lakh during 1997-98 to 1999-2000. Despite this excess expenditure, there was significant shortfall in the procurement of seeds in the 4 districts during 1997-98 and 1999-2000 as given below:

District	Percentage of shortfall		
	1997-98	1998-99	1999-2000 (Upto November 1999)
Dharmapuri	36	57	60
Kancheepuram	18	41	42
Tiruvannamalai	36	8	89
Vellore	27	NIL	75

The main reasons attributed by most of the ADAs for the shortfall in procurement were unfavourable seasonal conditions with uneven rainfall affecting the production of seeds. Other important reasons attributed by certain ADAs in the districts covered by test-check were as given below.

ADA, Vaniyambadi	:	Farmers were reluctant to supply pulse seeds to the Department, as the procurement price fixed was unremunerative
ADA, Chengam ADA, Vandavasi ADA, Polur	:	Seeds obtained from seed farms were rejected by the certification department
ADA, Tiruppathur	:	Due to poor return, farmers were not willing to raise pulse seeds
ADA. Cheyyar	:	Poor yield from seed farms due to various factors such as poor fertility of soil, poor irrigation facilities etc.
ADA. Tiruvannamalai	:	Due to prevailing higher market rate for pulses, targeted quantity of seeds could not be procured for want of financial allocation

Thus, despite incurring excess expenditure on seed procurement, there was shortfall in procurement of foundation seeds mainly due to higher market rate for pulses.

The matter was referred to Government in June 2000; reply had not been received (February 2001).

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

3.10 Non-implementation of scheme due to defective formulation

Defective formulation of the scheme for the grant of kerosene/diesel subsidy to poor fishermen by Director of Fisheries resulted in its non-implementation and blocking of Rs 3 crore for over 16 months.

Government accepted the proposal (May 1998) of Director of Fisheries for supply of kerosene to registered traditional fishermen using crafts fitted with

* Dharmapuri, Kancheepuram, Tiruvallur, Tiruvannamalai and Vellore.

inboard engines at subsidised rates through Fishermen Co-operative Societies (FCS) and issued orders in August 1998 for giving subsidy on kerosene during 1998-99. Director of Fisheries informed (September 1998) the Government that FCS had difficulty in obtaining license for kerosene. He, therefore, proposed that subsidy would be paid to the beneficiaries on production of bill as proof of having purchased kerosene. He requested the Government to provide subsidy on diesel to fishermen using crafts fitted with outboard motors (OBM).

Government accepted the revised proposal of Director of Fisheries and sanctioned (December 1998) Rs 3 crore to be drawn and deposited by the Director of Fisheries in a Personal Deposit account. In view of difficulties faced by fishermen to produce authenticated bills, a further change in the procedure for release of subsidy, based on a certificate issued by a committee, for the quantity purchased, was requested (February 1999) by the Director of Fisheries. Even though only Rs 1.75 crore were required (at the rate of Rs 125 per month for 20,000 envisaged beneficiaries) for the remaining period of 7 months (September 1998 to March 1999) for the implementation of the scheme, the Director, without waiting for decision on the modified proposal, drew the entire amount of Rs 3 crore and credited (March 1999) the same to the Personal Deposit account. In order to avoid the lapse of funds due to closure of Personal Deposit account on the last day of the financial year as per the rules, the amount was apportioned among 4 regions* and demand drafts were sent to the Joint Directors/Deputy Directors of Fisheries (Regional) of 4 regions on 31 March 1999. Since Government did not agree to the change in procedure, Director of Fisheries instructed (November 1999) the regional offices to implement the scheme, but issued detailed guidelines on the scheme only in January 2000.

Thus, the scheme approved by Government in August 1998 to benefit poor fishermen could not commence even by February 2000 even though Rs 3 crore were released by the Government in December 1998. The scheme was formulated without considering its practicability. Even the procedure for releasing subsidy to the beneficiaries was not drawn up correctly, and had to be changed when FCS could not obtain license to deal in kerosene/diesel. In fact, the Assistant Director of Fisheries, Ramanathapuram pointed out to the Director that fishermen did not use kerosene for their fishing craft; Joint Director of Fisheries, Nagapattinam opined that average quantity of diesel consumed was only 40 *per cent* of the quantity indicated in the scheme. As a result, Rs 3 crore was lying unutilised from March 1999 to June 2000.

Government, in its reply, stated (July 2000) that the unspent balance amount of Rs 2.95 crore had now been remitted to Government account by the Regional Joint Directors/Deputy Directors, as the scheme was not viable. The fact, however, remained that the formulation of the scheme without considering its practicability resulted in blocking of Rs 2.95 crore outside the Government account without any beneficial use.

* Chennai : Rs 90 lakh, Madurai : Rs 15 lakh, Nagapattinam: Rs 70 lakh and Tuticorin : Rs 125 lakh

3.11 Avoidable expenditure on purchase of patrol boats

Non-consideration of the lowest offer of a firm after negotiation resulted in avoidable expenditure of Rs 37.35 lakh.

Government of India (GOI) released a grant of Rs 4.50 crore to Government of Tamil Nadu (GTN) between June 1994 and July 1997 for the purchase of five patrol boats for enforcing the Tamil Nadu Marine Fishing Regulation (TNMFR) Act, 1983. The operational cost and other recurring costs of the boats were to be borne by GTN.

The tenders were first examined on technical grounds (February 1996) by the tender committee and 3 out of 7 tenders were rejected. On the basis of price bids, two firms 'G' and 'T' were shortlisted and negotiations held.

The type of engine had not been mentioned in the tender document. Firm 'G' offered in February 1996 to build 5 boats as per the departmental specifications for Rs 4.34 crore and firm 'T' for Rs 4.81 crore. During negotiations, the Department wanted the firm to provide Greaves MWM engine which had proved its performance instead of Kirloskar Cummins engine offered by the firms. Firm 'G' quoted an additional amount of Rs 0.32 crore. Firm 'T' during negotiation agreed to provide MWM or Kirloskar engine and also reduced the offer to Rs 4.05 crore. However, on 30 April 1996, the Committee decided to accept the offer of Firm 'G', though its offer was higher after negotiation, on the ground that as the type of engine was not specified in the tender document, it was not prudent to insist on any change by preferring a particular type of engine after opening the technical and price bids. In October 1997, Government approved the negotiated tender of firm 'G' for Rs 4.50 crore including taxes etc. Payment of Rs 4.38 crore was made between March 1998 and November 1999.

The boats were taken over by Director of Fisheries (DOF) in November 1999; but could not be operated since no operating staff was appointed and the boats remained at Chennai Port. In view of the huge financial commitment for deployment of qualified crew, an agreement was entered into with firm 'G' for maintenance and operation of the boats for a period of 3 months from February 2000 to May 2000. For further maintenance, a tender was under finalisation as of September 2000. The boats were, thus, utilised only for three months for implementing the TNMFR Act.

Following observations are made in this regard:

(i) While inviting tenders in December 1995, DOF allowed only one month (4 January 1996 to 4 February 1996) for submission of the bids. Request of even reputed public sector builders like Mazagon Docks and Garden Reach for extension of time limit for about 6 weeks (for designing the boats and working out the cost) was not considered by the Department. By not allowing sufficient time for the bids, the Department precluded competitive bidding. Government stated (July 2000) that any extension of time would have resulted in undue delay in the tender processing. However, it was observed that while the extension sought was for only 6 weeks from February 1996, the tender was not decided up to October 1997. Thus, the reason attributed by Government was not tenable.

(ii) The reasons given by the tender committee for selecting the higher offer of Firm G were not tenable, since, after negotiations, the offer of firm 'G' was higher than that of firm 'T'.

(iii) Government did not sanction staff due to high cost involved, but approved (November 1999) entrusting the manning, maintenance and operation of boats temporarily for 3 months on contract basis. The boats were utilised for implementing TNMFR Act only for 3 months and thus, the objective of regulating the fishing by traditional and mechanical fishing sector and conserving the fishing resources remained largely unachieved (September 2000) even after the boats were taken over by the Department in November 1999.

Thus, the decision to procure five patrol boats from Firm 'G', instead of from Firm 'T' whose offer was lower, resulted in avoidable expenditure of Rs 37.35 lakh.

3.12 Non-implementation of the Centrally sponsored scheme for introduction of plywood beach craft

Lackadaisical approach of the Government and Commissioner of Fisheries resulted in non-implementation of the scheme. Rupees 17.60 lakh, which included Central assistance of Rs 8.80 lakh, remained unutilised.

In order to effectively replace the conventional beach craft made of costly timber, Government of India (GOI) approved in February 1994 a scheme of 'Introduction of Plywood Beach Craft' in Tamil Nadu on a pilot basis. The scheme was to provide 25 *per cent* of the cost of plywood beach craft to the fishermen as subsidy; (the subsidy was to be shared equally by GOI and the State Government); 70 *per cent* of the cost was to be met out of loan financed by Nationalised banks and the balance 5 *per cent* was to be contributed by the beneficiary.

Commissioner of Fisheries (COF) forwarded a proposal to GOI (April 1994) for assisting 100 fishermen with subsidy of Rs 0.30 lakh each, which included the cost of the plywood craft plus the fishing gear. GOI released Rs 11 lakh (March 1995) excluding the cost of fishing gear which was not eligible for Central subsidy. From 1995-96 to 1998-99, revalidation orders were obtained every year from GOI. Even though the scheme was providing subsidy only for the purchase of plywood boats, State Government persistently requested GOI for the release of additional Rs 4 lakh for supply of subsidy on fishing gear till February 1996 without implementing the scheme and between February 1996 and August 1999, the Government was examining other aspects of implementation.

It was only in February 1999 that the State Government released Rs 22 lakh (including the States' share of Rs 11 lakh) for implementing the scheme. The funds were drawn even before identification of beneficiaries and the amount was kept in the personal deposit account since May 1999. In January 2000, Government instructed the COF to process the applications received after February 1999 for the purchase of the crafts. As of June 2000, only Rs 4.40 lakh out of Rs 22 lakh were spent and subsidy was given to only 20 beneficiaries.

The matter was referred to Government in April 2000; Government stated in July 2000 that the delays in various stages were due to administrative reasons and that it was decided to remit back the amount as the scheme was found to be not viable. Thus, at the instance of Audit, the balance amount of Rs 17.60 lakh was remitted to Government account in June 2000. The inordinate delay on the part of Government to find out that the scheme was not viable resulted in blocking of Central assistance of Rs 8.80 lakh for over 5 years and State funds of Rs 8.80 lakh outside Government account for over a year.

CO-OPERATION, FOOD AND CONSUMER PROTECTION DEPARTMENT

3.13 Injudicious decision to oust Junior Inspectors of Co-operative Societies

Injudicious decision to oust the TNPSC qualified candidates resulted in litigation and subsequent payment of backwages to the tune of Rs 1.68 crore.

Government of Tamil Nadu promulgated an ordinance in September 1985 to supersede the Boards of Management of all Primary Agricultural Services Co-operative Societies (PASCS) and to appoint special officers to manage the affairs of the societies for a period of three months. Accordingly, Government sanctioned in October 1985, the creation of 900 temporary posts of Junior Inspectors of Co-operative Societies (JICS) for appointing them as Special officers of the PASCS, for a period of three months. As per regulation 17(2) and (3) of Tamil Nadu Public Service Commission (TNPSC) regulations, concurrence of the Commission is necessary for the continuance of temporary appointment beyond six month period. However, no concurrence of TNPSC was obtained and the persons recruited continued in service for over 4 years in violation of this regulation.

In order to offer an opportunity to regularise all the temporary JICS, Government directed (November 1988) TNPSC to conduct a special qualifying examination and the temporary JICS who satisfy the educational qualification and come out successful in the special qualifying examination were to be absorbed on regular basis in the existing vacancies or vacancies arising in future. The special qualifying examination was conducted in October 1989 by TNPSC and list of 1,235 qualified candidates forwarded to Government in June 1990.

Elections to PASCS were conducted in September 1990 and the elected representatives assumed charge on 10 October 1990 in the posts which were hitherto managed by JICS as special officers. Government in October 1990, issued notification restricting the term of office of the special officers of the PASCS up to 9 October 1990 for which elections had been completed and requested Registrar of Cooperative Societies (RCS) to allow the elected boards of the societies to assume office with effect from 10 October 1990, without specifying the action to be taken regarding redeployment of the qualified JICS. RCS (October 1990), without referring the matter to Government, instructed all the Regional Joint Registrars to oust the JICS who were rendered surplus consequent on the take over by elected representatives even though they might have passed the special qualifying examination conducted by TNPSC. Accordingly, out of 1,235 candidates recommended by TNPSC, 844 JICS were ousted from service by RCS with effect from 9 October 1990 for want of vacancies, instead of absorbing them in future vacancies as contemplated in the orders of Government of November 1988. The ousted 844 JICS approached the Tamil Nadu Administrative Tribunal (TAT) which passed orders in July 1991 for their reinstatement. Further, the Supreme Court also passed orders in September 1996 for payment of backwages to these JICS.

Government reinstated 844 JICS between November 1991 and January 1992. 151 JICS were appointed against normal vacancies that arose in the Department and 693 temporary posts of JICS were created to accommodate the remaining ousted JICS with specific condition that posts should be disbanded as and when regular vacancies occurred in the Department for absorbing them.

In the absence of specific orders of the Government in October 1990 regarding the redeployment of the JICS, the RCS, without consulting the Government, had taken a decision to oust 844 JICS even though they were successful in the special qualifying examination conducted by TNPSC. As of June 2000, 514 JICS have been paid backwages amounting to Rs 1.68 crore. Had the JICs been redeployed, instead of being ousted, the litigation and consequential payment of backwages for the period they did not actually serve would have been avoided.

The matter was referred to Government in April 2000; Government in reply (June 2000) generally accepted the facts and stated that the verdict of the Apex Court had to be implemented.

3.14 Infructuous expenditure on printing of family cards

Decision of Government to introduce yellow family cards resulted in 5.72 lakh green cards already printed at a cost of Rs 30.09 lakh, becoming surplus.

Government of India (GOI) launched in January 1997 Targeted Public Distribution System under which special family cards were to be issued to families Below the Poverty Line (BPL), for issue of essential articles at specially subsidised prices. Government of Tamil Nadu decided in February 1997, to introduce three types of family cards namely red or pink colour cards to BPL families, green cards to affluent families (for supply of articles except rice) and yellow cards to families who did not come under either of these two categories. In view of the urgency, Government (April 1997) entrusted the printing of family cards to Electronics Corporation of Tamil Nadu (ELCOT) without calling for open tender, as a special case. The work commenced in December 1997.

However, in April 1998, Government modified its earlier order and decided that families which want to draw rice and other essential commodities be issued red/pink colour cards, while families that do not want to draw rice be given yellow cards. Between December 1997 and April 1998, ELCOT printed 5.72 lakh green colour cards for distribution in Chennai, Coimbatore and

Salem. Consequent to the revised policy of Government, 5.72 lakh green cards printed at the cost of Rs 30.09 lakh became surplus.

Thus, the change in decision of the Government regarding colours of the cards to be printed, resulted in an infructuous expenditure of Rs 30.09 lakh. Further, this decision of the Government was flawed, as no separate card was issued to BPL families to enable them to buy the specially subsidised rice under Targeted Public Distribution System.

The above matter was referred to Government in May 2000; Government generally accepted the facts (June 2000) and added that the decision to introduce two colour cards was taken to reduce subsidy burden in issue of rice, in respect of those who opt not to draw rice.

FINANCE DEPARTMENT

3.15 Undue benefit to the officers under the Personalised Official Conveyance Scheme

Incorrect allowance of depreciation on motor car purchased by the officer utilising loan under the Personalised Official Conveyance Scheme led to recovery of only 10 *per cent* of the loan.

Government introduced Personalised Official Conveyance Scheme (POCS) in September 1995. At present, the Scheme is applicable to All India Service officers and other officers drawing pay in the pay scale of Rs 16,000-400-20,000 or higher. An officer opting for the scheme is sanctioned conveyance advance upto Rs 2.50 lakh or the cost of the car whichever is lower, for the purchase of a new car only. The principal amount of the advance is to be recovered in ten years.

The officer is fully responsible for all costs of owning and running the vehicle, but he will be reimbursed the fixed cost and running costs. The fixed cost reimbursable includes depreciation at the rate of 9 *per cent* per annum on the cost of the vehicle or 9 *per cent* of loan amount (whichever is lower). The depreciation is met by Government by adjustment against the loan repayment due from the officer, once in a year. The cost of comprehensive insurance is also reimbursed to the officer to the extent of 2 *per cent* of the cost of the car or of the original.loan amount, whichever is lower.

The running cost comprised reimbursement of fuel cost and maintenance cost. Between 100 and 150 litres per month towards fuel cost in Chennai and between 50 litres and 150 litres per month in other stations is reimbursible depending on the distance between the residence of the officer and the office. Ten *per cent* of the fuel cost reimbursed will be deducted towards private use of the vehicle. The maintenance cost is also reimbursed to the officer at Rs 900 per month to be increased annually by 5 *per cent*. The officer will not be entitled to an official car and driver, since the car purchased under this scheme is to be used by him for commuting between residence and office.

During 1995-96 to 1999-2000 (upto September 1999) 151 officers had been sanctioned the Conveyance Advance totalling Rs 3.74 crore under the above scheme.

The fixed cost and running cost reimbursement including depreciation works out to about Rs 5,890 per month, for each officer. Audit observed that while reimbursement of fuel cost and maintenance cost could be justified, there was no justification to meet the insurance cost and to allow depreciation at 9 *per cent* per annum to be adjusted towards repayment of loan. Since the vehicle is owned by the officer, it is his responsibility to insure the same at his expense. The depreciation in value of the car is also to be borne by him, particularly when Government is paying the officer Rs 900 per month towards maintenance cost, besides reimbursement of fuel cost. The net effect of the Government bearing the depreciation is that, out of the loan amount of Rs 2.50 lakh, as much as 90 *per cent* (Rs 2,25,000) is adjusted towards depreciation and only Rs 25,000 is recovered from the officer in instalments over a period of ten years.

There is already another scheme of Motor Car Advance admissible to officers for purchase of cars. Under the scheme, the entire amount of loan with interest is repayable in monthly instalments. Therefore, the Personalised Official Conveyance Scheme introduced in 1995 gives undue benefit to the officer, in that he has to repay only 10 *per cent* of the advance sanctioned to him, with interest.

Government stipulated in December 1995 that on availing of the POCS vehicle, the Government vehicle should be surrendered to the common pool of the Motor Vehicle Maintenance Department (MVMD). But, the MVMD stated in November 2000, that no vehicle was surrendered to the common pool (till November 2000) consequent on the introduction of the POCS.

Government stated (October 2000) that reimbursement of fixed cost is fully justified since usage of the vehicle for official purpose entails wear and tear and maintenance. It was also stated that depreciation is normally provided for capital equipment and vehicles, so that they can be replaced when they outlive their useful life and depreciation in the economic sense represents the extent of wearing of the capital through usage. The reply was not tenable since the maintenance cost was being reimbursed under the scheme at Rs 900 per month which should take care of the repairs. Government meeting the depreciation and insurance of car owned by the officer is not justified.

HIGHER EDUCATION DEPARTMENT

3.16 Irregular retention and diversion of Government funds

Lapse on the part of Government to monitor the receipt due from a University resulted in Government money of Rs 3.07 crore remaining blocked outside Government account.

Anna University was appointed as a Nodal Agency for selection of candidates to professional colleges (i.e Medical, Engineering and Agriculture colleges) in Tamil Nadu in May 1984. Anna University was to conduct the Tamil Nadu Professional Courses Entrance Examination (TNPCEE), evaluate and publish the results.

Government decided in December 1996 that the income generated out of the entrance examination, after deducting a reasonable amount to defray the expenses in connection with the conduct and publication of result, would be taken into account, while deciding the block grant to the Anna University for 1997-98 and 1998-99. Itemwise income and expenditure for the conduct of TNPCEE since 1984-85 was called for by the Government in January 1997. The audited accounts of TNPCEE for the period from 1984-85 to 1997-98 were placed before the Finance Committee of the University only in June 1998. The Finance Committee decided (October 1998) to charge Rs 2.49 crore as Design and Development charges and Rs 2.88 crore as Institutional charges for conducting TNPCEE and sought Government's approval. The approval was not accorded by Government so far (August 2000). Further, the University had spent Rs 1.27 crore towards construction of building for the purpose of TNPCEE, which was without Government approval.

Though the Government decided in December 1996 that the net surplus available amount in TNPCEE account after charging the expenses in connection with the conduct and publication of result be taken into account for deciding the block grant, the net surplus for the years 1996-98 amounting to Rs 3.07 crore had not been adjusted against block grant. However, Rs 1.75 crore being the net surplus of TNPCEE account for 1998-99 has been adjusted against the arrears of block grant released to the University for 1998-99.

Even while releasing block grant of Rs 11.66 crore for 1999-2000 to Anna University, no such adjustment had been made by the Director of Technical Education who disbursed entire block grant to the University in 4 instalments.

Thus, due to non-adjustment of surplus money in TNPCEE account for the years 1996-98 against block grant released by Government, Rs 3.07 crore remained with Anna University as of September 2000.

Further, the University reported that Rs 5.40 crore had been diverted temporarily from TNPCEE account to Salary account, General Provident Fund account and Adult and Continuing Education Fund Account, which was irregular.

The matter was referred to Government in April 2000; reply had not been received (February 2001).

HOME DEPARTMENT

3.17 Unfruitful expenditure on the construction of Armed Reserve Complex and 100 rental quarters

Establishment of the Armed Reserve Complex and construction of 100 rental quarters at a site far away from Tuticorin at an expenditure of Rs 3.82 crore resulted in the buildings being not put to intended use.

With a view to shift the Armed Reserve* (AR) functioning in Palayamkottai to Tuticorin, Government sanctioned (September 1994) the establishment of the

* Police platoons.

Armed Reserve Complex (ARC) at Tuticorin and the Director General of Police (DGP) was requested to forward the detailed proposals to the Government immediately. As no vacant land was available in the Master Plan Complex at Tuticorin, the Committee constituted for the purpose identified (January 1994) a site measuring about 52 acres at Peroorani Village at a distance of about 22 km from Tuticorin. The Collector, Tuticorin accorded (August 1994) permission to the Superintendent of Police, Tuticorin to enter upon the said lands.

Based on the proposal (July 1995) of DGP, Government accorded (August 1995) sanction for the construction of the ARC consisting of Administrative Block, barracks to accommodate police personnel, garage, magazine room, teargas room, external water supply arrangements, land reclamation, site levelling, formation of roads, drains and petrol and diesel bunks etc., at a cost of Rs 2.20 crore by the Public Works Department (PWD). Government further sanctioned (March 1996) the construction of 100 quarters for the ARC at Tuticorin at a cost of Rs 2.82 crore through the Tamil Nadu Police Housing Corporation (TNPHC).

The Superintendent of Police, Tuticorin, who was posted subsequently in May 1997, objected (September 1997) to the proposed site, citing practical difficulties in movement of men and vehicles, drawal of fuel, etc., and suggested relocation of the Administrative Block and Barracks, construction of which was yet to commence, at a plot measuring 7.34 acres available at the third mile from Tuticorin. The Inspector General of Police, Madurai, also pointed out (November 1997) that the place was hardly an ideal location, as it lacked amenities like shopping, school and medical facilities and suggested as an alternative that the place be utilised as Police Recruits School (PRS). The DGP rejected (January 1998) the proposal for relocation of the ARC, on the grounds that construction of quarters, magazine room, tear gas room etc., was nearing completion/completed and all construction works relating to ARC were already awarded to the contractors and so the relocation was not feasible.

As was feared, however, the newly constructed premises were not used for ARC and it was decided (October 1998) by Government to utilise the entire complex constructed for AR along with the quarters as PRS. Accordingly, a temporary PRS has been functioning from May 1999 and 421 recruits were given training from May 1999 to March 2000 and 291 were being trained since May 2000.

Meanwhile, the AR at Palayamkottai was shifted to rented premises in Tuticorn in October 1998 and rent of Rs 28,000 per month was being paid.

Though the Superintendent of Police stated (June 2000) that the Administrative blocks, barracks and quarters were used for training recruits, the fact remains that the training school was a temporary one, run for 9 months in a year to train about 400 recruits.

Thus, an expenditure of Rs 3.82 crore incurred on the construction of the premises etc., was mostly rendered wasteful; besides, AR continues to incur Rs 3.36 lakh per annum by way of rent for the building it occupies at Tuticorin.

Government in its reply (November 2000) accepted the facts and stated that the Police Department was using the space effectively for temporary PRS and no new expenses were incurred. The reply was not tenable for the reason that the utilisation of the premises and the quarters by the temporary PRS cannot be construed as full utilisation.

HOUSING AND URBAN DEVELOPMENT
AND
CO-OPERATION, FOOD AND CONSUMER PROTECTION DEPARTMENTS

3.18 Unutilised subsidy/loan under Tamil Nadu Rural Housing Scheme

Lack of monitoring by Government/Registrar of Cooperative Societies (Housing) in the implementation of Tamil Nadu Rural Housing Scheme resulted not only in blocking of unutilised subsidy of Rs 15.29 crore with Tamil Nadu Cooperative Housing Federation but also non-completion of schemes taken up since 1990-91.

The Housing and Urban Development Department sanctioned (November 1989) the Tamil Nadu Rural Housing Scheme for construction of houses for economically weaker sections of society in rural areas by merging the erstwhile Rural Housing Scheme and Mass Housing Scheme. The Registrar of Cooperative Societies (Housing) (RCSH) had been implementing the scheme through Tamil Nadu Cooperative Housing Federation (TNCHF), Chennai. The houses were to be constructed by beneficiaries as per type design and cost ceiling prescribed by the Government.

The scheme was financed through loan from Housing and Urban Development Corporation (HUDCO), Government subsidy and beneficiary contribution as fixed from time to time by State Government. TNCHF obtained loans from HUDCO every year for the targeted houses on the bulk guarantee given by Government. The subsidy, sanctioned by the Government based on the proposals of RCSH every year, was released and credited to Personal Deposit Account of TNCHF. The loan and subsidy amounts were released to the taluk level societies through Deputy Registrars of Cooperative Societies (DRCSs) based on the targets fixed for them. The taluk level societies were to identify the beneficiaries, process the loan applications and to release the loan amount (in two instalments) and the subsidy (as third instalment) to the selected beneficiary based on the progress of construction of houses, after verification.

Perusal of connected records in the Office of RCSH and TNCHF revealed the following:

(i) Against 3.27 lakh houses targeted for construction during 1990-91 to 1998-99, Government sanctioned a subsidy of Rs 49.02 crore for 2.96 lakh houses, of which 84,284 houses had not been completed as of February 2000. The entire amount of subsidy released by State Government each year was not based on actual requirement and also without taking into account the unutilised subsidy available with TNCHF. No time limit had been fixed for completion of houses with the result that some of the schemes taken up during 1990-91 to 1998-99 were not completed and proposals for the release of 2nd and 3rd instalments and fresh loan applications had not been received from the beneficiaries. As a result, Government subsidy to the tune of Rs 15.29 crore pertaining to these incomplete schemes remained undistributed with TNCHF and taluk level societies for periods ranging from 2 to 8 years.

(ii) RCSH observed (July 1999) in his reference to TNCHF that the TNCHF had invested the unutilised subsidy and gained unintended benefit by way of interest on such investments, the details of which were not made available to Audit.

(iii) Government sanctioned interest free loan of Rs 141.63 crore between March 1987 to March 1999 to TNCHF so as to enable the Federation to meet its repayment obligation to HUDCO, as the collections towards loan recoveries from beneficiaries were continuously poor. Rupees 44.70 crore out of the loan was waived (July 1998) by Government and the remaining was pending recovery from TNCHF as of April 2000.

Thus, the failure of the Registrar of Cooperative Societies (Housing) and Government to effectively monitor the scheme resulted not only in blocking of unutilised subsidy of Rs 15.29 crore but also non-completion of schemes taken up since 1990-91.

The matter was referred to Government in April 2000. Government in Housing and Urban Development Department stated (November 2000) that an amount of Rs 5.36 crore remained unutilised with TNCHF as of 31 October 2000 in respect of 32,934 houses and the said amount would be disbursed to eligible beneficiaries by obtaining completion reports from the Regional DRCSs (Housing). The main reason for keeping the subsidy unutilised was non-completion of houses by the members who received first and second instalments of loan component, as no time limit had been fixed by Government for completion of houses and due to migration of some members who are agricultural labourers, rural artisans, and daily wage earners to nearby cities and towns to earn their livelihood.

GENERAL

3.19 Misappropriations , losses, etc.

Cases of misappropriation of Government money reported to Audit upto March 2000 and on which final action was pending at the end of June 2000 were as under:

		Number of cases	Amount (Rupees in lakh)
1.	Cases reported to end of March 1999 and outstanding at the end of June 1999.	471	182.06
2.	Cases reported during April 1999 to March 2000.	10	13.78
3.	**Total**	**481**	**195.84**
4.	Cases cleared during July 1999 to June 2000.	18	1.98
5.	Cases outstanding at the end of June 2000.	463	193.86

Department-wise and year-wise analyses of the pending cases are given in Appendix XXIX. In all these cases, report on the departmental action taken and results of the proceedings against Government servants responsible, required to be sent to audit according to Financial Rules, were awaited (July 2000).

In addition, 376 cases of shortages, theft, damage to property, etc., involving Rs 1.71 crore were reported to Audit upto March 2000 by departments other than Public Works and Highways Department. 7,049 cases involving Rs 28.31 crore, were either reported by or noticed during audit of Public Works and Highways and Forest Departments upto March 2000. Department-wise and year-wise analyses of these cases are contained in Appendix XXX.

3.20 Write off/waiver of losses, irrecoverable loan/interest, etc.

In 21 cases, details of which were made available to Audit, losses and irrecoverable loans/interest etc., amounting to Rs 1.11 crore were written off/waived by Government during 1999-2000.

Department-wise details are indicated below:

(Rupees in lakh)

Department	Written off		Waiver	
	Number of items	Amount	Number of items	Amount
Agriculture	2	0.19	-	-
Animal Husbandry and Fisheries	1	0.33	1	82.51
Commercial Taxes and Religious Endowments	4	0.01	-	-
Cooperation, Food and Consumer protection	-	-	3	0.25
Home (Courts)	3	0.21	-	-
Home (Prisons)	-	-	4	0.04
Public Works	1	27.64	-	-
Social Welfare and Nutritious Meal Programme	1	0.01	-	-
TOTAL	**12**	**28.39**	**8**	**82.80**

FINANCE DEPARTMENT

3.21 Failure of senior officers to enforce accountability and protect the interests of Government

Accountant General (Audit) (AG) arranges to conduct periodical inspection of the Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, these IRs are issued to the Heads of Offices inspected with a copy to the next higher authorities. Government issued orders in April 1967 which provide for prompt response by the executive to the IRs issued by the AG to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses etc., noticed during his inspection. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the Head of the Department by AG. A half yearly report of pending inspection reports is sent to the Secretary of the Department in respect of pending IRs to facilitate monitoring of the audit observations in the pending IRs.

As at the end of June 2000, out of the IRs issued upto December 1999, 15967 paragraphs relating to 4,541 IRs remained outstanding. Of these, 306 IRs containing 614 paragraphs had not been replied to/settled for more than 10 years. Year-wise position of the outstanding IRs and paragraphs is detailed in the Appendix XXXI. Even the initial replies, which were required to be received from the Heads of offices within four weeks from the date of issue, were not received in respect of 21 divisions/offices for IRs issued upto December 1999. As a result, serious irregularities as detailed in Appendix XXXII commented upon in these IRs had not been settled as of June 2000.

A review of the IRs which were pending due to non-receipt of replies in respect of Home (Police) Department and Labour and Forest Departments revealed that the Heads of offices, whose records were inspected by Accountant General and the Heads of Departments failed to discharge due responsibility as they did not send any reply to a large number of IRs/paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs of the Accountant General. The Secretaries of the concerned Departments, who were informed of the position through half yearly reports, also failed to ensure that the concerned officers of the Department took prompt and timely action.

The above also indicated inaction against the defaulting officers and thereby facilitating the continuation of serious financial irregularities and loss to the Government though these were pointed out by Audit.

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 audit observations. During 1999-2000, departmental level committee was not convened and no paragraph was settled, indicating inadequate response to audit observations even at higher level of Government.

To prevent any more erosion of public servants' accountability, it is recommended that Government should relook into this matter and ensure that procedure exists for (a) action against the officials who failed to send replies to IRs/paragraphs as per the prescribed time schedule (b) action to recover loss/outstanding advances/overpayments in a time bound manner and (c) revamping the system in the Department for proper response to the audit observations.

CHAPTER IV

WORKS EXPENDITURE

AUDIT PARAGRAPHS

4.1 Non-achievement of the objective of road work

Non-finalisation of correct alignment for a road work and non-construction of bridges resulted in road constructed at a cost of Rs 36.24 lakh remaining unconnected besides blocking of Rs 51.64 lakh on purchase of material.

With a view to connecting six coastal villages in Nagapattinam District to the nearest market centres, Government in July 1993 sanctioned the work of "Improvements to the road from Vanagiri to Manickapangu from kilometer (km) 0/0 to 8/4" and also "construction of a bridge at km 7/6 across Uppanar river" at a total cost of Rs 75 lakh under "Rural Roads Scheme". Since the road passed through two more rivers *viz.*, Sevaganar at km 2/4 and Ammanar at km 4/8, Government sanctioned Rs 90 lakh and Rs 105 lakh for the construction of bridges across these rivers under the schemes 'Other roads' and 'Works financed from Central Road Fund' respectively.

The work from km 0/0 – 7/8 was split up into three works *viz.*, km 0/0-2/0, km 2/0-7/8 and construction of bridge at km 7/6 and the work was entrusted to two contractors by the Superintending Engineer, Rural Roads Circle, Tiruchi during September, October and December 1994 respectively. The bridge work at km 2/4 and km 4/8 sanctioned under different schemes were to be executed by the Divisional Engineer, Highways and Rural Works, Nagapattinam and Divisional Engineer, National Highways, Tiruchi respectively. Based on the representations made by the villagers that the alignment of the road from km 0/0 –7/8 was very close to the sea and would get washed away due to heavy rains and that of aqua farm owners that some of their lands were affected, the Chief Engineer (National Highways) approved some changes in alignment in March 1995. As the revised alignment still passed through some aqua farms and the aqua farm owners refused to hand over the land located in the revised alignment, the Divisional Engineer, Highways, Rural Roads, Thanjavur recommended (March 1996) to the Superintending Engineer (Rural Roads), Tiruchi to drop the portion of road from km 4/4.

The works from km 0/0-4/4 which were taken up in September 1994 and December 1994 were completed during February and June 1997 at a total cost of Rs 32.37 lakh except the bridge at km 2/4 across Sevaganar river. In view of the non-execution of work beyond km 4/4, the proposed construction of bridges at km 4/8 and at km 7/6 were also not taken up. Construction of bridge at km 2/4 was not taken up stating that (February 1998) the cost had escalated to Rs 3.50 crore and a bridge at such a huge cost for rural road was not considered necessary. As of July 2000, expenditure of Rs 3.87 lakh on preliminary works had been incurred on the two bridges at km 4/8 and km 2/4 and material valuing Rs 51.64 lakh purchased between 1995 and 1997 for the bridge work at km 2/4 remained idle.

Though all the five works were to be executed to achieve the objective of providing link for the coastal villages to market centres, the works were executed by different agencies without finalising the alignment. Consequently, the work in the reach km 0/0 – 4/4 was completed without constructing bridge at km 2/4, rendering the road constructed at a cost of Rs 32.37 lakh unconnected. Further, the objective of providing better transport facility to the market centres was not achieved even after spending Rs 36.24 lakh.

The matter was referred to Government in June 2000; Government accepted the audit observations (October 2000).

4.2 Blocking of Government funds with Southern Railway for three years

Though the department was aware that the ring road work could not be taken up under TNUDP, the CE deposited Rs 2.15 crore with Southern Railway for the construction of two Railway Over-bridges resulting in avoidable interest liability of Rs 76 lakh.

Government accorded (March 1996) administrative sanction for the work "Forming a Ring Road between Kanyakumari Road and Melur Road at Madurai" for Rs 22 crore under World Bank-assisted Tamil Nadu Urban Development Project (TNUDP). The work included construction of two Railway Over-bridges (ROB) for which the Chief Engineer (Highways), TNUDP, Chennai (CE), requested (March 1996) Southern Railway to furnish the estimated cost. In August 1996, the Southern Railway furnished the rough cost for the ROBs as Rs 2.15 crore and requested the CE to deposit Rs 4.30 lakh for preparing the detailed drawings and estimates.

In the meantime, Government ordered (July 1996) not to take up any new work under TNUDP as World Bank assistance for the project would not be available after September 1996. The Superintending Engineer, TNUDP, Madurai also proposed (August 1996) to the CE to revise the alignment of the Ring Road based on further investigation and to seek revised administrative sanction for the work. Overlooking the fact that the work required revised administrative sanction and could not be taken up under TNUDP, the CE accorded (September 1996) permission for advancing of Rs 2.15 crore to Southern Railway which was paid by the Divisional Engineer, TNUDP Division, Madurai (DE) in September 1996. The DE, however, did not furnish the drawing and details of alignment for preparation of detailed estimate by Southern Railway. The advance of Rs 2.15 crore was incurred as expenditure under TNUDP.

In the meantime, Government decided (May 1997) to entrust the work to Corporation of Madurai by raising loan from the World Bank. The Chief Engineer (Highways), Project I, Chennai who was to execute the work on behalf of Corporation of Madurai requested (March 1999) the Southern Railway to refund the advance paid to them. Accordingly the Southern Railway, after deducting centage charges (Rs 4.30 lakh) and expenditure on trial pits, refunded Rs 2.10 crore in October 1999. Of this, the Department remitted Rs 2 crore to Corporation of Madurai in February 2000.

Thus, the imprudent action of the CE to pay an advance of Rs 2.15 crore to Southern Railway, against the demand of only Rs 4.30 lakh, resulted in retention of Rs 2.10 crore outside Government account from October 1996 to September 1999. The advance drawal of loan from the World Bank also resulted in avoidable interest liability of Rs 76 lakh for 3 years at 12 *per cent* per annum (rate of interest payable for loans taken under TNUDP). In addition, Rs 4.30 lakh paid as centage charges to Southern Railway also became wasteful.

The matter was referred to Government in April 2000. Government stated (September 2000) that in order to quicken the process of construction of ROB and to incur maximum expenditure to get early reimbursement from World Bank, the amount was paid in advance to Southern Railway. The reply was not tenable as the payment of advance was premature and the department could not furnish drawing and alignment details to Southern Railway for the preparation of estimates, forcing the Government to take up the work under another project.

4.3 Non-utilisation of a bridge for want of approach road

Failure of the department to acquire a small piece of land before starting construction of the approach road resulted in non-utilisation of the bridge constructed at a cost of Rs 71.65 lakh.

Government sanctioned (November 1994) Rs 30 lakh for 'Reconstruction of bridge at km 1/4 of Palani – Palar – Porandalar road' (Dindigul District) in lieu of the existing causeway to facilitate movement of agricultural products to the nearest market centre. During the investigation conducted in 1994-95 for preparing the detailed estimate, the Highways Department found that the alignment of a part of the approach road to the bridge passed through private land. Even though the codal provisions stipulate that private land required for execution of Government works had to be acquired by invoking the provisions of Land Acquisition Act (LA Act) or by negotiation, the sub-estimate for the approach road work was prepared in February 1995 without any provision for land acquisition as the department was hopeful of acquiring the land free of cost. The work was technically sanctioned by the Chief Engineer (NH 45) in June 1995.

When the work commenced in June 1997, the land owners objected (June 1997) to the construction of the approach road on their land but were agreeable to hand over the required land on payment of compensation. When the proposal for acquiring the land was sent (December 1997), the Revenue Department advised (June 1998) the Divisional Engineer, Tamil Nadu Agricultural Development Project, Madurai (DE) to acquire the land through negotiation to avoid explaining the delay of 4 to 5 years in sending proposals for land acquisition and additional expenditure towards interest payment. The land owners insisted on compensation under the provisions of LA Act. They also obtained (March 1999) interim stay restraining the Department from proceeding with the work on their land. Consequently, the work was stopped and a revised proposal indicating the requirement of land for the work was sent in October 1999 to the Revenue Department.

Efforts to vacate the interim stay also failed and the High Court made the stay absolute (October 1999) till the disposal of the writ petition. The bridge works completed at a cost of Rs 71.65 lakh (March 1999) could not be put to use for want of approach road. The DE requested (March 2000) the Revenue Department to acquire the land under urgency provisions of LA Act. In March 2000, a proposal for issuing notification under Section 4 (1) of LA Act was initiated by the Tahsildar, Palani.

Thus, the failure of the DE to initiate acquisition proceeding at the investigation stage itself, resulted in non-utilisation of the bridge constructed at a cost of Rs 71.65 lakh from March 1999 for want of approach road.

The matter was reported to Government in April 2000. Government accepted (October 2000) the delay in acquisition of land required for the work and assured that the land would be acquired and the bridge would be thrown open for public use early.

PUBLIC WORKS DEPARTMENT

4.4 Execution of unviable schemes without proper authority

Rupees 8.84 crore were spent on two unviable schemes without proper financial sanction and in violation of canons of financial propriety.

According to the codal provisions of Public Works Department (PWD) all new irrigation projects costing over Rs 2 lakh were to be investigated by the Executive Engineer and Collector concerned on the technical and revenue aspects respectively and the administrative approval was to be issued by PWD in consultation with the Finance Department. The 'Business rules and Secretariat instructions' stipulated that no proposal which was not concurred by the Finance Department should be proceeded with unless a decision was taken by the Council of Ministers. In contravention of these provisions, the Secretary, PWD issued administrative sanction (May 1993) for two schemes extending water supply to irrigation tank in Tiruppathur and 13 other tanks (Rs 3.14 crore) and to tank in Maravamangalam and 40 other tanks (Rs 5.70 crore) by utilising the surpluses from Periyar - Vaigai Project after meeting the requirement of Ramnad big tank. He did not consult the Revenue Department or get the concurrence of the Finance Department.

The Special Chief Engineer, Periyar-Vaigai Project, Madurai (CE) incurred Rs 1 crore by utilising the budget provision of the World Bank-assisted Periyar Improvement Project (PIP) till June 1994 and sought funds (July and August 1994) under 'State Plan' as the credit assistance under PIP was stopped by the World Bank. Consequently, the Government was forced to issue *post facto* approval for the schemes in March 1995 for Rs 8.84 crore and released Rs 3.72 crore only. The Tiruppathur scheme was completed in 1996 at a cost of Rs 3.43 crore and the Maravamangalam scheme on which Rs 5.41 crore was spent was still incomplete. Government in May 1999 sanctioned Rs 1 crore for completing the balance work and the work was under progress (March 2000).

The examination of the records pertaining to these schemes revealed that these two schemes were not economically viable. The Finance Department had rejected the schemes in 1992 as there would not be any surplus water under PIP. World Bank also found (May 1995) these two schemes unviable when the Department proposed to include them under Water Resources Consolidation Project. Further, even though the credit assistance of PIP expired in October 1993, the schemes were taken up for execution in November 1993 and January 1994.

The two schemes envisaged diversion of the surplus water only after meeting the requirement of beneficiaries under PIP. It was seen that 79 million cubic feet (mcft) of water was released into the newly excavated Tiruppathur canal for 38 days during 1997-98 and no water was released during 1998-99 and 1999-2000. Records of the Department revealed a shortfall of 1,587 mcft of water during 1997-98 for the actual area irrigated under PIP. Thus, water was released into Tiruppathur canal by depriving the riparian rights of PIP beneficiaries.

Thus, inspite of non-availability of surplus water under PIP, the Secretary, PWD, took up the two schemes without the concurrence of Revenue and Finance Departments. Major expenditure was incurred without budget provision thereby violating all canons of financial propriety.

The matter was referred to Government in April 2000; reply had not been received (February 2001).

4.5 Extra financial commitment to Government due to injudicious rejection of lowest tender

Injudicious decision of rejecting the lowest tender of a firm recommended by the Chief Engineer and subsequent acceptance of higher tender of another firm which had the same persons as major partners resulted in extra financial commitment of Rs 1 crore.

The work of "Improvements to Vadavar Channel" under the Second Madras Water Supply Project proposed to be executed with World Bank assistance, was split up into five reaches and detailed estimates were sanctioned by the Chief Engineer – Irrigation (CE) during 1995-96 for Rs 22.19 crore. Government, in consultation with the World Bank Mission, decided (December 1995) to award the work to contractors of proven capability and resources.

While the tenders for all the five reaches, called for in June 1996 adopting the World Bank norms, were under finalisation, the World Bank decided to stop the assistance and it was proposed in September 1996 to implement the work with State funds. In order to avoid further delay in calling for fresh tenders, Government instructed (December 1996) the CE to consider the tenders already called for. Accordingly CE recommended (March 1997 and May 1997) to the Government the lowest offers of Firm A for reach I (Rs 3.52 crore), Firm B for reaches II to IV (Rs 17.12 crore) and Firm C for reach V (Rs 3.94 crore).

Government approved the tender of Firm B for reaches II to IV in June 1997 and the tender of Firm C for reach V in August 1997 but rejected the tender of Firm A (July 1997) stating that it fell short of the prescribed earthwork experience. After retender, the work in reach I also was awarded to Firm B in March 1999 for Rs 4.52 crore. The works were in progress as of December 1999.

It was seen in audit that the CE, while recommending the offers of Firms A and B, had specifically stated that they satisfied all the qualification criteria except earthwork which need not be taken as an essential qualification since it was a simple work. The Contract Award Committee did not agree to relax the qualification criteria regarding earthwork for Firm A. However, a similar relaxation had been given to Firm B. Thus, the decision of the committee was inconsistent. This resulted in extra financial commitment of Rs 1 crore to the Government, besides delay in execution of the work by about two years. It was also seen in Audit that the major partners of Firms A and B were the same and that Firm A possessed the machineries required for executing the earthwork.

The matter was referred to Government in April 2000. Government stated (November 2000) that the tender of Firm A was rejected based on the Contract Award Committee's observation that the qualification criteria could not be relaxed. However, no specific remarks for the audit observation were furnished by the Government.

4.6 Unfruitful expenditure on Buildings Research Station

Establishment of Buildings Research Station without providing the infrastructure for carrying out research activities had resulted in unproductive expenditure of Rs 59.93 lakh on establishment and Rs 23.52 lakh on building.

With a view to improve the technical efficiency of the Public Works Department (PWD), the Administrative Reforms Commission recommended (March 1973) the establishment of a 'Buildings Research Station' by absorbing the staff attached to the Building Centre Division and the Soil Mechanics and Research Division. The Research Station was to identify cost effective construction materials, evolve specification and data, undertake research projects on innovative construction technologies, study the suitability of construction chemicals, report on the conditions of distressed Government buildings, establish research laboratory and test houses and interact with research and development organisations.

In August 1985, Government sanctioned Rs 47.21 lakh for construction of a building at Taramani, Chennai and for purchase of equipment for the Research Station. In June 1990, Government ordered diversion of 23 surplus staff from the regular strength of PWD. The building was constructed at a cost of Rs 23.52 lakh in 1992 and the Research Station started functioning from October 1993 with thirteen surplus staff diverted. However, it undertook no research projects ever since 1993 although the staff were in position and incurred Rs 59.93 lakh during October 1993 to August 1999 towards establishment expenditure.

The following points were noticed.

(i) The Executive Engineer of the Research Station (EE) prepared the estimate for purchase of equipment required for research work only in June 1997 but failed to obtain the cheque drawing powers from the Accountant General (Accounts and Entitlements), Chennai to draw the funds for purchase of equipment and for research projects sanctioned in November 1996 and June 1998. Consequently, no research activity was taken up. The EE obtained cheque drawing powers only in December 1999.

(ii) The inspections conducted by the Superintending Engineer, Planning and Designs Circle, Chennai year after year pointed out the inactivity of the Research Station. It was also noticed that the Building Centre Division, Chennai (16 staff) and Soil Mechanics and Research Division (142 staff) which were carrying out work of similar nature, continued to function. In spite of inactivity, the continuance of posts in the Buildings Research Station was recommended by the Chief Engineer (Buildings) every year, and sanctioned by Government till June 2002.

Thus, hasty decision of Government to divert PWD staff from the divisions for the Research Station without absorbing the staff of Building Centre and Soil Mechanics and Research Divisions and without ensuring availability of adequate infrastructure and the delay on the part of the EE to obtain cheque drawing powers to purchase the equipment for the Research Station resulted in an unproductive expenditure of Rs 59.93 lakh on establishment and Rs 23.52 lakh on building.

The matter was referred to Government in May 2000; reply had not been received (February 2001).

PUBLIC WORKS AND REVENUE DEPARTMENTS

4.7 Unfruitful expenditure due to defective land acquisition proceedings

Failure of the Revenue Department to follow the correct procedure for land acquisition and delay on the part of the Public Works Department in revising the design resulted in unproductive expenditure of Rs 19.56 lakh on the construction of anicut for over six years and avoidable escalation of Rs 65.70 lakh.

Government sanctioned (May 1987) the work of construction of an anicut across Nasuviniar in Thanjavur District. The work was expected to result in additional food production of 314 tonnes per annum. The estimated cost of Rs 38.80 lakh, approved by the Chief Engineer (Minor Irrigation), Chennai, provided for acquiring private land for the right side head sluice, abutment and right side supply channel.

Executive Engineer, Public Works Department (PWD), Pattukottai Division, (now Agniyar Basin Division) (EE) sent (April 1988) the land plan schedule for acquiring 0.415 hectares (ha) of land to Land Acquisition Officer (LAO) and entrusted (June 1988) the work to a contractor for Rs 26.33 lakh. The contractor executed a portion of the work and could not complete the work due to non-acquisition of land. The contract was terminated (June 1992) and entrusted (April 1993) to another contractor but as only 0.18 ha of land was acquired by February 1994 the work could not be continued further. As of March 1994, Rs 19.56 lakh had been spent on the work.

Test-check of the records of the Revenue Department and the Agniyar Basin Division revealed the following.

(i) Notification under Section 4(1) of the Land Acquisition Act was approved by Government in August 1990. After conducting enquiry under Section 5A, the notification under Section 6 was issued in September 1991. One of the land owners challenged the land acquisition proceedings in the Chennai High Court in October 1992 on the ground that the procedure prescribed for conducting the enquiry was not followed by the LAO. The High Court struck down (April 1995) the notification on the ground that the LAO had failed to follow the prescribed procedure of publishing the notification in the Government Gazette before publishing in the newspapers.

(ii) The EE failed to initiate fresh proceedings to acquire the land and in November 1998, the Superintending Engineer, Planning and Designs circle, Chennai issued guidelines to complete the balance work without involving land acquisition. Based on these, a revised estimate for Rs 104.50 lakh was sent to Government (January 2000) for sanction. As of April 2000, the work remained incomplete pending sanction of the revised estimate by Government.

Thus, the failure of the Revenue Department to follow the prescribed procedure for acquiring land resulted in litigation and non-completion of the scheme for want of land. Even after the court verdict, the PWD had not taken immediate action either to acquire the land or to revise the design without involving land acquisition. These delays rendered the expenditure of Rs 19.56 lakh unproductive for over 6 years and resulted in avoidable escalation of Rs 65.70 lakh besides non-achievement of the objective of the scheme.

The matter was referred to Government in June 2000; reply had not been received (February 2001).

CHAPTER V

STORES AND STOCK

AUDIT PARAGRAPHS

HOME DEPARTMENT

5.1 Avoidable extra expenditure on purchase of arms due to non-provision of sufficient funds in time

Failure of the Director General of Police to obtain financial sanction from Government and to ensure timely provision of funds resulted in extra expenditure of Rs 44.45 lakh towards purchase of arms and ammunitions from Ordnance Factory, Tiruchirappalli.

Based on the forecast of Director General of Police (DGP), Government of India (GOI) allotted to Tamil Nadu Government in April 1997 different types of arms and ammunitions for procurement for the year 1997-98 from various Ordnance Factories (OFs) including 650 rifles from OF, Tiruchirappalli. DGP was to deposit advance payment on receipt of proforma invoice from the OF after ensuring that the funds required (previous year price plus additional 10 *per cent*) were provided by September 1997. The DGP decided only in December 1997 to procure five items of arms including Rifles and five items of ammunitions (out of 10 items) allotted by GOI based on the report (July 1997) of a sub-committee.

The DGP addressed the OF, Tiruchirappalli in December 1997 for obtaining the proforma invoice which was received in February 1998 for Rs 1.36 crore*. The amount was to be paid in advance through demand draft realisable before 15 March 1998 and if not realised by that date, prices ruling with effect from 1 April 1998 were to be made applicable.

Since sufficient funds were not available, the DGP proposed (17 February 1998) for additional provision of Rs 99.63 lakh needed to cover the expenditure only through the Final Modified Appropriation (FMA). The Finance Department did not provide any funds during 1997-98.

As the procurement could not be effected during 1997-98, DGP had to obtain in August 1998 a revised proforma invoice, which was for Rs 1.56 crore for the same quantity of rifles and magazines. The amount was paid as advance (March 1999) to the OF. Another advance of Rs 60.14 lakh was also paid to the OF for the procurement of 250 rifles and 500 magazines allotted by GOI in August 1998 for the year 1998-99.

Consequent to the withdrawal of concessional rate of sales tax from December 1998 the OF demanded (July 1999) an additional payment of Rs 30.30 lakh towards the enhanced sales tax at 20 *per cent*. DGP reduced the quantity of rifles and magazines, so that the cost would be within the amount sanctioned by Government and procured them in March 2000.

Government (in Home Department) stated in June 2000 that for want of Government sanction and due to non-provision of fund in FMA 1997-98, payment could not be made to the OF in 1997-98. Government's reply was not tenable for the following reasons.

* 650 rifles at Rs 19,630 each plus 4 *per cent* sales tax and 1,300 magazines at Rs 242 each plus 4 *per cent* sales tax.

(i) Despite GOI's instructions for ensuring availability of funds by September 1997, the DGP did not take timely action for obtaining financial sanction and provision of funds atleast by the time of the first supplementary estimates (October 1997), (ii) FMA for all grants was sanctioned by Government only during the last week of March 1998 and even if funds were provided by that time, the Department could not have made the advance payment within the stipulated time, i.e., on or before 15 March 1998.

Thus, the failure of the DGP and the Government (in Home Department) to provide funds in time for payment to the OF resulted in avoidable extra expenditure of Rs 44.45 lakh (Rs 19.61 lakh on price of 650 rifles and 1,300 magazines and Rs 24.84 lakh on sales tax).

5.2 Irregular purchase of chemicals for fire extinguishers

The injudicious action of Director of Fire Services in purchase of chemicals for refilling fire extinguishers, directly from National Co-operative Consumer Federation of India Limited at exhorbitant prices without calling for open tender resulted in avoidable expenditure of Rs 23.49 lakh.

In March 1997 Government entrusted the maintenance work of fire extinguishers in Government offices/Autonomous bodies to the Fire Service Department. Director of Fire Service (DFS) decided (November 1997) to procure the required chemicals from M/s National Co-operative Consumer Federation of India Limited (NCCF), a Cooperative Institution under the Ministry of Civil Supplies, Consumer Affairs and Public Distribution of Government of India, stating that it was not necessary to call for tenders, as NCCF were authorised to supply stores to Government departments. Accordingly, he purchased chemicals valued at Rs 40 lakh from the NCCF for the years 1997-98 and 1998-99.

During 1999-2000, however, the purchases were made from a supplier selected through open tender system by the new DFS.

It was seen in Audit that as per article 125 of Tamil Nadu Financial code, direct purchase from cooperative institutions, without calling for open tender, was permitted only in respect of products manufactured by them. In as much as NCCF was not the manufacturer, the direct purchase by the DFS in 1997-98 and 1998-99 was in gross violation of codal provision. Though this was ratified subsequently, Government overlooked the loss incurred due to not following the codal provisions, as the prices of four chemicals (which constituted the major portion), purchased through open tender during 1999-2000, were much lower than the price at which they were procured from NCCF during 1997-98 and 1998-99, as given below.

Serial Number	Name of the Chemical	Purchased from NCCF				Rate at which purchased through open tender during 1999-2000 (Rupees)
		1997-98		1998-99		
		Quantity purchased	Rate (Rupees)	Quantity purchased	Rate (Rupees)	
1.	Sodium bicarbonate base chemical extinguisher of 9 litres capacity	7500 numbers	60 each	1800	60 each	12.90 each
2.	AFFF Foam Compound	90 litre	195 per litre	-	Not purchased	72.50 per litre
3.	Dry chemical powder (DCP)	10480 kg	115 per kg	8900 kg	115 per kg	23 per kg
4.	Mono ammonium phosphate base powder	150 kg	215 per kg	-	Not purchased	70 per kg

Thus, the injudicious purchase from NCCF during 1997-99 had resulted in an avoidable extra expenditure of Rs 23.49 lakh*.

In the five districts *viz.*, Madurai, Salem, Tiruvallur, Tiruvarur and Vellore, out of 4,570 kg of DCP purchased during January to August 1998 at a very high cost, only 1365 kg (30 *per cent*) were utilised upto September 1999, leaving a quantity of 3205 kg (cost: Rs 3.83 lakh) unutilised. As this could last for another 2 to 3 years, based on the rate of current consumption, the chemical might lose its potency.

Government while accepting (August 2000) the facts stated that Government of India instructions for direct purchase from NCCF without calling for tenders were not applicable to State Government Departments and that necessary disciplinary action against the persons responsible was being pursued.

* including Sales Tax at 4 *per cent.*

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION – A
AUDIT REVIEWS

6.1 Urban Employment Generation Programme (Municipal Administration and Water Supply Department)

Summary Highlights

According to the socio-economic survey conducted by the Urban Local Bodies as per the guidelines of Ministry of Urban Affairs and Employment, during 1998-99, the urban poverty level was 29 per cent as against 39.8 per cent during 1993-94. Though there was a reduction in urban poverty level, the same could not be attributed to implementation of Urban Employment Generation Programme, as huge funds relating to old and new schemes were lying unutilised at various levels. Steps had not been taken to resolve the problems that led to poor utilisation of funds. The performance under "Self employment" component was very poor and the shelter upgradation component was not taken up after 1992-93. Considering the huge number. of urban families below poverty line, the funds provided for Urban Wage Employment Programme were sufficient to provide, on an average, employment for 4 days only to each family. Expenditure on materials far exceeded the limit of 60 per cent of the works expenditure.

- **Non-release of funds to Urban Local Bodies under Urban Self Employment Programme and Urban Wage Employment Programme on the basis of urban poor identified through survey during 1998-99 resulted in excess release of funds of Rs 91.75 lakh to Municipalities, and less release of Rs 81.19 lakh and Rs 10.56 lakh to Town Panchayats and Municipal Corporations respectively.**

(Paragraph 6.1.4.3)

- **Out of Rs 142.59 crore provided under Nehru Rozgar Yojana, Urban Basic Services for the Poor and Prime Minister's Integrated Urban Poverty Eradication Programme upto November 1997, Rs 67.44 crore (47 *per cent*) were only utilised and the unutilised amount of Rs 75.15 crore was transferred to the new scheme Swarna Jayanthi Shahari Rozgar Yojana.**

(Paragraph 6.1.4.4(a))

- **Utilisation of funds released to Urban Self Employment Programme component of Swarna Jayanthi Shahari Rozgar Yojana was very poor and Rs 10.78 crore were lying unutilised under this component with the Director of Town Panchayat, Commissioner of Municipal Administration, Corporation of Chennai, Town Panchayats and Municipalities. The main reason for poor utilisation of funds under this component was the reluctance of banks to sanction loans to identified beneficiaries.**

(Paragraph 6.1.4.4(b))

Abbreviations used in this review are listed in the Glossary in Appendix XLVII (page 276).

- **The average number of mandays of employment that could be provided per urban family below poverty line during 1998-99 to 1999-2000 under Urban Wage Employment Programme of Swarna Jayanthi Shahari Rozgar Yojana worked out to 4 days only.**

(Paragraph 6.1.5.1(c))

- **Under Prime Minister's Integrated Urban Poverty Eradication Programme, utilisation of funds for self-employment was only 4.5 *per cent* of the amount provided; out of 1.52 lakh families below poverty line identified in 41 towns, only 1144 families were benefited under self-employment.**

(Paragraph 6.1.5.2(i))

- **Rupees 2.52 crore remained unutilised under the shelter upgradation component of Prime Minister's Integrated Urban Poverty Eradication Programme due to delay in fixing the nodal agency and non-finalisation of project proposals.**

(Paragraph 6.1.5.2 (ii))

- **The scheme of housing and shelter upgradation was not implemented despite provision of Rs 2.28 crore by Commissioner of Municipal Administration to Tamil Nadu Urban Finance and Infrastructure Development Corporation resulting in deprival of shelter benefits to about 0.57 lakh persons as projected under the scheme.**

(Paragraph 6.1.5.2 (iii))

- **Payment of wages at rates less than the minimum wages prescribed under the Minimum Wages Act resulted in underpayment of Rs 83.56 lakh to workers in 130 urban local bodies during 1998-2000.**

(Paragraph 6.1.5.3(a))

- **Contrary to the instructions that the wage component of the works should be at least 40 *per cent*, the prescribed wage-material ratio was not maintained in 1210 works executed by 15 Municipalities and 84 town panchayats and the excess expenditure on material component worked out to Rs 3.08 crore.**

(Paragraph 6.1.5.3(c))

6.1.1 Introduction

Government of India (GOI) launched various schemes for alleviation of urban poverty. In Tamil Nadu the urban poverty level was 39.8 *per cent* during 1993-94 according to the Expert Group formed by Government of India.

The schemes launched by GOI were

1. Nehru Rozgar Yojana (NRY) from October 1989;

2. Urban Basic Services for the Poor (UBSP) from 1990-91;

3. Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) from 1995-96; and

4. Prime Minister's Rozgar Yojana (PMRY) from October 1993.

The first three schemes were implemented by Ministry of Urban Affairs and the fourth by Ministry of Industries. The schemes NRY, UBSP and PMIUPEP were merged into a new scheme "Swarna Jayanthi Shahari Rozgar Yojana" (SJSRY) with effect from 1 December 1997.

The objectives of the programmes and the areas in which they were implemented are given in Appendix XXXIII.

6.1.2 Organisational set up

The Secretary, Municipal Administration and Water Supply Department (MAWSD) and Commissioner of Municipal Administration (CMA) were responsible for planning, coordination and implementation of NRY, PMIUPEP and SJSRY at the Apex and State level. At district level the District Urban Development Agencies (DUDA) were responsible for supervision and monitoring. The schemes were executed by Urban Local Bodies (ULBs).

Under SJSRY, while the schemes were executed by Town Panchayats (TPs) in their areas, the Secretary MAWSD, Director of Town Panchayats (DTP) and Assistant Director of Town Panchayats (ADTP) were implementing and monitoring the schemes at Apex, State and District levels.

Scheme of Housing and Shelter Upgradation (SHASU) of NRY was implemented by ULBs through Housing and Urban Development Corporation (HUDCO) and with the assistance of Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO), Tamil Nadu Slum Clearance Board (TNSCB), Tamil Nadu Handloom Weavers' Cooperative Society (TNHWCS) and Tamil Nadu Cooperative Housing Federation (TNCHF).

PMRY was implemented by the Secretary, Small Industries Department, and Industries Commissioner and Director of Industries and Commerce (ICDIC) and executed through the General Managers (GMs) of District Industries Centres (DICs) at District level.

6.1.3 Audit Coverage

A test-check of records relating to the programmes covering the period from 1995-96 to 1999-2000 was conducted between November 1999 and May 2000 in the MAWSD and Small Industries Department of the State Secretariat, Offices of the CMA, DTP, ICDIC, Chennai Corporation, 16 Municipalities (out of 102) and 114 Town Panchayats (out of 636). Further, the particulars regarding the implementation of the programmes during the period of coverage were also obtained from HUDCO and TUFIDCO.

Out of the total expenditure of Rs 114 crore incurred under the programmes during 1995-96 to 1999-2000 the expenditure covered under the review was Rs 24.34 crore (21 *per cent*).

Important points noticed are discussed in the succeeding paragraphs.

6.1.4 Resource Allocation

6.1.4.1 Funding

The sharing pattern of expenditure on implementation of various Urban Employment Generation Programme (UEGP) between GOI and Government of Tamil Nadu (GTN) were as below :

Serial Number	Name of the Scheme	Government of India Share	Government of Tamil Nadu Share
(i)	NRY	60 *per cent*	40 *per cent*
(ii)	PMIUPEP		
	- Self Employment and Shelter Upgradation	60 *per cent*	40 *per cent*
	- Skill Development and Training	100 *per cent*	..
(iii)	SJSRY	75 *per cent*	25 *per cent*
(iv)	PMRY	100 *per cent*	..

6.1.4.2 Financial Outlay and Expenditure

Year-wise details of release of funds and expenditure under NRY, PMIUPEP, SJSRY and PMRY(Training) are furnished in Appendix XXXIV.

According to the Union Planning Commission Report, the urban poverty was 39.8 *per cent* in the State during 1993-94. A socio-economic survey conducted by the Urban Local Bodies (except Chennai Corporation) during1998-99, as per the guidelines issued by the Ministry of Urban Affairs and Employment, revealed that the urban poverty had declined to 29 *per cent*. However, the reduction could not be attributed to the implementation of Urban Employment Generation schemes, as most of the funds provided for the schemes were lying unutilised, as discussed in the subsequent paragraphs.

6.1.4.3 Improper allocation of funds

Release of funds for the schemes based on the population of urban local bodies resulted in excess release of funds to the tune of Rs 91.75 lakh to Municipalities and less release of funds to Town Panchayats and Municipal Corporations.

SJSRY envisaged identification of genuine beneficiaries based on non-economic and economic parameters through house to house survey. The programmes were intended to cover urban poor beneficiaries through the schemes Urban Self Employment Programme (USEP) and Urban Wage Employment Programme (UWEP). In Tamil Nadu, the house to house survey was completed by ULBs in September 1998 except Chennai Corporation. As the programmes were to cover urban poor, the allocation of funds among ULBs should also be based on number of urban poor identified by survey. However, even after completion of survey, the CMA continued to release funds to ULBs during January 1999 to March 1999 based on the population of ULB, resulting in excess release of funds to Municipalities to the extent of Rs 91.75 lakh and less release of funds to Town Panchayats and Municipal Corporations to the extent of Rs 81.19 lakh and Rs 10.56 lakh respectively.

6.1.4.4 Poor utilisation of funds

(a) Poor utilisation of funds under old schemes

Out of Rs 142.59 crore received for the 3 programmes, NRY, UBSP and PMIUPEP up to November 1997, Rs 67.44 crore (47 *per cent*) were only reported by CMA as spent under the programmes as of November 1997 and the remaining unutilised amount of Rs 75.15 crore (53 *per cent*) was transferred to the new scheme SJSRY, as below:

Huge funds of Rs 75.15 crore relating to old schemes remained unutilised and consequently transferred to the new scheme.

(Rupees in crore)

Sl. No.	Name of the programme	Period of implementation	Amount received up to November 1997			Expenditure incurred up to November 1997	Unutilised balance at the end of November 1997
			From GOI	From GTN	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	NRY	1989-98 (up to November 1997)	51.19	30.37	81.56	53.31 (65)	28.25 (35)
2	UBSP	1990-98 (up to November 1997)	14.20	6.56	20.76	8.73 (42)	12.03 (58)
3	PMIUPEP	1995-98 (up to November 1997)	20.91	19.36	40.27	5.40 (13)	34.87 (87)
			86.30	**56.29**	**142.59**	**67.44 (47)**	**75.15 (53)**

(Figures in brackets in column 7 and 8 are percentages to total amount received)

The implementation of the programmes UBSP and PMIUPEP was very poor as 58 and 87 *per cent* of the funds received for them were lying unutilised. The main reason for non-utilisation of funds under these schemes was rejection of loan applications and under-financing by Banks. In respect of PMIUPEP, the implementation started only after elected bodies came into existence from October 1996 and specific reasons for non-utilisation of funds are commented in paragraph 6.1.5.2(i).

(b) Poor utilisation under SJSRY

The performance under three components of SJSRY was very poor during 1998-2000 as indicated below:

Name of the component	Financial (Rupees in crore)		Percentage of utilisation
	Funds available	Funds utilised	
Self Employment	12.63	0.80	6
Development of Women and Children in Urban Areas	2.62	0.11	4
Training	2.38	0.56	24
	17.63	**1.47**	

Utilisation of funds provided for USEP component under SJSRY was very poor and funds to the tune of Rs 10.78 crore remained unutilised with the Directorates and urban local bodies.

(i) Out of Rs 75.47 lakh received for USEP during 1998-2000 by 16 Municipalities, Rs 16.29 lakh were only utilised. The number of beneficiaries was only 801. The main reason attributed (November 2000) by CMA was the reluctance of the banks in the sanction of loans to beneficiaries under this component.

(ii) CMA released (July 1998 and January 1999 to April 1999) Rs 9.89 crore to DTP for the USEP in 1998-99 and 1999-2000. Rupees 5.79 crore were refunded by DTP to CMA in March 2000; Rs 3.24 crore remained unutilised with DTP.

Out of Rs 1.25 crore allocated to 114 Town Panchayats in the five districts during 1998-99, only Rs 4.51 lakh were utilised till February 2000 (4 *per cent*).

The poor utilisation was attributed (November 2000) by DTP to non-provision of additional staff, non-provision of training to staff initially and non-cooperation of bankers in sanctioning loans to the beneficiaries identified by the TPs. Government of India, taking into account the unwillingness of the banks in extending loans, permitted (December 1999) as an interim measure, till the modified guidelines of SJSRY come into place, reallocation of funds within the three components of SJSRY. Accordingly, DTP reallocated (July 2000) the funds available with him as well as town panchayats to UWEP component. CMA also issued (March 2000) directions to the municipalities to reallocate USEP funds based on the local needs.

(iii) A socio-economic survey to identify the families below poverty line was required to be conducted under SJSRY. Though the survey was started in April 1998, only 1.37 lakh families out of 3 lakh families were covered by the survey in Chennai Corporation up to April 2000.

Due to non-completion of survey, the USEP of SJSRY could not be implemented in the Chennai Corporation area and Rs 1.16 crore remained unutilised for the past two years, resulting in deprival of benefits to the intended beneficiaries.

(iv) As of March 2000, 15525 applications were pending with the branches of the banks under USEP. CMA stated that the rejection and pendency of applications were larger in number under USEP component although the applications were being forwarded to the banks after approval of the Task Force Committee (TFC), in which the bank officials were also representatives. However, the bank representatives in the State Level Bankers Committee (SLBC) meetings held between November 1999 and May 2000 informed that the applications were not properly scrutinised at the TFC meetings which had only resulted in higher rejection level and the other reasons like bunching of applications disproportionate to subsidy allocation, more number of applications for the same venture, forwarding of applications of persons who were not found in the list of below poverty line, abandonment of ventures, disposal of assets, migration of borrowers, poor recovery level of earlier loans etc., led to slow progress and low performance. SLBC stressed (May 2000) on the need for greater coordination between Government and the banks. Thus the genuine problems under SJSRY were yet to be ascertained and sorted out.

6.1.4.5 Funds lying outside Government Account

Under PMRY, the DICs drew Rs 84.80 lakh during 1995-96 to 1998-99 in the five sample districts by debiting the final head of account of the scheme and kept the amount in the bank accounts. Rupees 46.75 lakh were alone spent, leaving an amount of Rs 38.05 lakh lying unutilised in the bank accounts of DICs outside Government account during the years 1995-1999.

6.1.4.6 Non-transfer of unutilised amount to the scheme.

Unutilised funds of the old schemes to the tune of Rs 33.85 lakh were not transferred to SJSRY as required by GOI.

(i) Under PMIUPEP which was introduced in the State during 1995-96, 41 class II towns were identified for the implementation of the programme, including Villupuram and Tindivanam Municipalities. As no other similar schemes should be implemented in PMIUPEP towns as per the guidelines issued by GOI for the scheme, the NRY programme was discontinued in these two Municipalities from 1995-96. However, the amount of Rs 23.20 lakh, being the balance of NRY relating to Villupuram and Tindivanam Municipalities was not released to the other Municipalities, which were not implementing PMIUPEP, but kept outside the scheme account. The amount was also not transferred to the new account of SJSRY. The Regional Director of Municipal Administration, Vellore accepted the lapse and stated (May 2000) that action would be taken to distribute the amount among the Municipalities.

(ii) Unutilised amount of Rs 10.65 lakh as of November 1997 under NRY and UBSP with Pollachi Municipality was not transferred to the new SJSRY account as required by GOI.

6.1.5 Programme implementation

The details of target group, method of identification of beneficiaries, subsidy element/unit cost in respect of self-employment ventures, agencies for execution of works, wage rate payable for workers and the ratio between material and labour in works executed under the UEGP are furnished in Appendix XXXV.

6.1.5.1 Physical target and achievement

Shortfall in physical achievement under the component SUME during 1995-96 and 1996-97.

(a) The physical target and achievement under NRY and PMRY are given in Appendix XXXVI. While the shortfall under the component Scheme of Urban Micro Enterprises (SUME) under NRY was 34 and 37 *per cent* during 1995-96 and 1996-97, the shortfall under SUME – Training and Infrastructure were 45 and 42 *per cent* during the same period.

Shortfall in the beneficiaries covered under PMRY ranged between 19 and 42 *per cent* during 1995-2000.

The shortfall under PMRY ranged between 19 and 42 *per cent* during the period 1995-96 to 1999-2000. The main reasons attributed by DICs in July 2000 for the shortfall were non-viability of the projects at the time of disbursement of loan, non-availing of loan due to pursuance of higher studies by the beneficiaries and because of female beneficiaries getting married, and reluctance on the part of beneficiaries to take up the project.

(b) No physical targets had been fixed for PMIUPEP and SJSRY. However, the details of mandays generated under these programmes are given in Appendix XXXVI.

Average number of mandays of employment provided per urban family below poverty line during 1998-99 to 1999-2000 worked out to 4 days only.

(c) A comparison of number of families below poverty line (12.72 lakh) which could be given employment and the number of mandays generated (50.14 lakh) under UWEP component of SJSRY during 1998-99 to 1999-2000 revealed that the average number of mandays of employment per family worked out to 4 days only.

(d) Under SJSRY, the Community Development Societies were required to identify and prepare two lists, list A indicating the basic minimum services and the list B other required services. However, Audit observed that 118 ULBs test-checked executed 1170 works at a cost of Rs 10.15 crore without preparing the list of priorities, as the Community Development Societies were not formed in most of the ULBs.

6.1.5.2 Poor /Non-Implementation of schemes

Utilisation of funds under Self Employment component of PMIUPEP was very poor; only 1144 families were benefited under self employment during 1995-98 as against 1.52 lakh BPL families identified in 41 towns.

(i) Out of Rs 40.27 crore provided under PMIUPEP during 1995-98, Rs 5.40 crore (13 *per cent*) only were utilised upto November 1997. Only 4.5 *per cent* of the funds (Rs 28.33 lakh out of Rs 628.43 lakh) provided for self-employment generation were utilised. 10 towns out of 41 towns covered did not use the funds provided at all. Out of 1,52,253 below poverty line families identified under PMIUPEP in these 41 towns, only 1144 families (0.8 *per cent*) were benefited under self employment scheme during 1995-98.

Since PMIUPEP was the only scheme implemented in these towns, most families living below poverty line got practically no benefit.

CMA stated (November 2000) that the elected councils of the Municipalities came into existence only from November 1996. Certain community structures like Neighbourhood groups, Neighbourhood Development Committee, Community Development Society were to be formed under the programme which was time consuming and the programme was merged with SJSRY by the time these structures were formed.

Rupees 2.52 crore remained unutilised under the Shelter upgradation component of PMIUPEP.

(ii) GOI and GTN released funds to the extent of Rs 2.66 crore under Shelter upgradation component of PMIUPEP during 1995-96 and 1996-97. After deduction of 5 *per cent* towards Administration and Office expenses (A & OE), funds available for release to ULBs was Rs.2.52 crore. The decision to fix TUFIDCO as nodal agency for disbursing the funds under shelter upgradation component was conveyed in June 1997 by the Government. CMA called for proposal from the 41 project towns in August 1997. However, with the introduction of SJSRY from December 1997, CMA transferred the funds meant for shelter upgradation (including amount meant for A & OE) to SJSRY though the latter programme did not contain any shelter upgradation component. As per GOI directions the funds under shelter component of PMIUPEP should have been transferred to National Slum Development Programme (NSDP). Thus, due to delay in selecting the nodal agency, the available funds which could have benefited about 10,000 persons could not be utilised for shelter upgradation.

Shelter component of NRY was not implemented despite provision of Rs 2.28 crore by CMA to TUFIDCO.

(iii) CMA released Rs 2.28 crore (September 1996: Rs 0.55 crore and June 1997: Rs 1.73 crore) to TUFIDCO for the implementation of SHASU under NRY for the 56,932 targeted beneficiaries. However, the scheme was not implemented by TUFIDCO and the amount was remitted back to Government in January 2000.

(iv) Chennai Corporation reported utilisation of Rs 94.83 lakh out of Rs 4.10 crore released by GOI and GTN during 1989-98 for SUME (subsidy). Though the amount had been shown as expenditure during 1996-97, the details of number of beneficiaries under the scheme year-wise and amount of subsidy sanctioned to each beneficiary were not available. The Corporation stated (May 2000) that the details were being collected from the participating banks.

6.1.5.3 Payment of wages

(a) Non-payment of statutory minimum wages

The wages payable to labourers employed under the programme should be the minimum wages notified under the relevant schedule of employment under the Minimum Wages Act. The rates of wages notified by the Government for Mazdoor category I and II for 1998-99 and 1999-2000 were as below:

		For 1998-99	For 1999-2000
Mazdoor category	I	Rs 72.37	Rs 78.79
	II	Rs 69.37	Rs 75.79

Wages were paid at rates less than the wages notified under Minimum Wages Act.

However, the wages paid to these categories of workers for the works under SJSRY ranged from Rs 32 to Rs 75.90 due to adoption of Public Works Department schedule of rates of the respective locality. The underpaid wages to workers engaged in SJSRY works in 130 ULBs covered by test-check during 1998-99 and 1999-2000 worked out to Rs 83.56 lakh.

(b) Delay in payment of wages

Delays ranging from 15 days to 3 months were noticed in payment of wages.

Nominal Muster Rolls (NMRs) have to be prepared for the works executed under the programmes and the wages to workers are to be paid through weekly NMRs. It was observed that preparation of NMRs were delayed by 15 days to 3 months in 1765 works in the sample urban local bodies resulting in delayed payment of wages.

It was observed that the wages were also paid belatedly after completion of the work. In 882 such test-checked works, wages of Rs 1.13 crore were paid after 15 days to 1 month in 372 cases, Rs 1.28 crore were paid after 1 to 3 months in 448 cases, Rs 18.70 lakh were paid in 62 cases after 3 months.

(c) Non-adherence of ratio fixed for material and labour components

Specified ratio between the wages and material component was not maintained under UWEP.

As per the guidelines of SJSRY, the ratio between material and labour components of works taken up under SJSRY (UWEP) should be 60:40. Hence only labour intensive works resulting in creation of durable community assets were to be taken up for execution. However, as the Municipalities and Town Panchayats took up works such as construction of concrete roads, RCC culverts etc., which were material intensive, the prescribed ratio between labour and material components (40:60) was not adhered to in most of the works.

The excess expenditure on material component in respect of 1210 works executed by 15 Municipalities and 84 Town Panchayats worked out to Rs 3.08 crore after adjusting Rs 24.25 lakh contributed by the local bodies from their General funds.

6.1.6 Other financial points

6.1.6.1 Delay in release of funds

Delay in release of Government of India share.

The share of Government of India for the programmes NRY and PMIUPEP for the years 1995-96 and 1996-97 was released belatedly to the CMA between the months of December and March of the respective years and in the succeeding financial years in most of the cases (Appendix XXXVII).

Delayed release of the share of State Government.

Similarly the State share for the programmes were also released to the nodal agencies belatedly during the last quarter of the year or during the succeeding financial year (Appendix XXXVII).

The delay in release of funds of GOI and State Government led to delay in release of funds by the CMA/nodal agencies to the implementing agencies/ULBs for executing the works, resulting in postponement of benefits.

Delays ranging from 3 to 24 months were noticed in release of funds under NRY by CMA to ULBs.

Under PMRY, delay in release of funds by State Government to the Director of Industries and Commerce ranged from 2 to 10 months during 1995-96 to 1999-2000.

The delay in release of funds under NRY by CMA to ULBs ranged from 3 months to 24 months after the receipt of funds from GOI/GTN.

Of the amount of Rs 10.46 crore received from GOI in February 1996 for PMIUPEP for 1995-96, Rs 8.78 crore were released to the implementing agencies by the CMA belatedly in May 1996 and Rs 22.26 lakh in August 1996.

6.1.6.2 Diversion of funds

(i) (a) Chennai Corporation received Rs 5.47 crore for execution of SUME of NRY, during 1989-98. The Corporation diverted amounts ranging from Rs 10 lakh to Rs 1 crore during January 1991 to January 1999 to their General funds and refunded them after a lapse of 10 days to 8 months on 17 occasions. The cumulative amount of diversion was Rs.7.31 crore during the above period.

(b) Chennai Corporation placed Rs 55 lakh of NRY funds in Fixed Deposit during 1994-95 (July 1994 - Rs 40 lakh and September 1994 – Rs 15 lakh) for one year period. However, on maturity the amount (Rs 61.57 lakh) was credited to General fund account of the Corporation. The above amount was not credited back to scheme account until December 1997, when the scheme was merged with SJSRY. The amount was refunded to CMA by the Corporation only in December 1998.

(c) Under USEP of SJSRY, Chennai Corporation was provided Rs 1.17 crore for 1998-1999. While transferring the unspent balance of NRY to SJSRY account on 1 December 1997, the Corporation retained Rs 6.58 lakh. Together with interest of Rs 41.47 lakh earned on deposits of NRY funds and Rs 1.75 lakh on SJSRY funds, the balance of Rs 1.65 crore should be available in the Scheme account at the end of April 2000 after excluding the expenditure of Rs 1.30 lakh spent on A&OE. However, the balance available in the Scheme account was only Rs 0.89 crore, indicating that Rs 0.76 crore was diverted by the Corporation.

(ii) As per the guidelines, not more than 5 *per cent* of the total funds allocated to the State can be utilised for A&OE. Government, while sanctioning the continuance of the posts created under erstwhile urban poverty alleviation programmes and SJSRY, ordered (May 1998) the CMA to remit 5 *per cent* of the funds given for SJSRY to Government towards A&OE. Total funds received for SJSRY for 1998-99 was Rs 19.33 crore. CMA remitted Rs 96.63 lakh to Government account towards A&OE for the year 1998-99. However, the actual expenditure incurred on A&OE worked out to Rs 48.04 lakh only as per the accounts. The excess remittance of Rs 48.59 lakh made into Government account amounted to diversion of funds from the scheme.

(iii) Pollachi Municipality diverted Rs 9.90 lakh and Rs 8.50 lakh in December 1998 and March 2000 from UEGP funds to Post Office Savings Bank account for 19 to 39 days to achieve the targets fixed under Small Savings Programme as per the instructions of District Collector.

6.1.6.3 Non-transfer of interest amount to scheme funds

The amount of interest earned on deposits of NRY funds with various banks by the Chennai Corporation during the period 1992-93 to 1999-2000 worked out to Rs 41.47 lakh. This amount was not refunded to CMA, while working out the unutilised funds under the old schemes for transfer to the new scheme SJSRY in December 1997.

6.1.6.4 Loss of Interest

(i) The loss of interest to scheme account due to not crediting back the maturity value of the Fixed Deposits (FDs) as discussed in paragraphs 6.1.6.2 (i) (b) worked out to Rs 15.27 lakh.

(ii) Rupees 27.47 lakh, being the amount of interest that could have accrued on the unutilised amount of Rs 2.28 crore retained by TUFIDCO from October 1996 to December 1999 was not remitted to Government account. TUFIDCO stated (August 2000) that the subsidy amount did not earn any interest as the same was temporarily diverted by them for paying back the loan dues to HUDCO because of poor collection from the beneficiary Municipalities.

6.1.7 Other points of interest

Non-maintenance of separate cash book for the schemes by 92 ULBs.

(a) Though separate cash books for the schemes were required to be maintained, 92 out of 130 ULBs in the sample did not maintain separate cash books with the result Audit could not ensure the correctness of financial figures given by them.

Non-maintenance of Asset Registers by 32 ULBs.

(b) "Asset Register", which was required to be maintained with all the particulars of the assets created under various Urban Employment Generation Schemes, had not been maintained by 32 out of 130 ULBs.

6.1.8 Misreporting of expenditure to GOI

Misreporting expenditure to GOI to the tune of Rs 1.01 crore in 2 cases.

Two instances of misreporting noticed during test-check are given below:

(i) Utilisation Certificate was furnished (May 1997 and July 1998) by the Corporation of Chennai to GOI for Rs 2.26 crore for the expenditure incurred by them under NRY against the GOI share for the period 1989-98. However, Corporation informed (March 2000) Audit that expenditure on NRY was only Rs 1.48 crore.

(ii) Despite the availability of NRY funds to the tune of Rs 23.20 lakh in the bank account of the DUDA, Villupuram, the CMA misreported that the entire amount of Rs 50.91 lakh released for NRY during February 1995 to April 1997 had been utilised.

6.1.9 Programme Monitoring and Evaluation

6.1.9.1 Non-functioning of State Urban Development Agency

State Urban Development Agency was not made functional as of July 2000.

A State Urban Development Agency was formed on 24 September 1996 for monitoring the schemes implemented under NRY with the Secretary, MAWSD as Chairman and 17 other members from various departments, bank officials and the Chairmen of ULBs who were directly involved in the implementation of the scheme. Although the bye-laws of the agency were approved by Government in September 1998, the Agency was not made functional as of July 2000, thereby defeating the purpose for which it was formed.

6.1.9.2 Non-formation of Urban Poverty Eradication Cell

Urban Poverty Eradication Cell not formed in 111 Town Panchayats.

The programmes PMIUPEP and SJSRY envisaged the formation of Urban Poverty Eradication Cell at town level to guide and monitor the work of Community Development Societies. However 111 out of 114 Town Panchayats covered by test-check did not form the Urban Poverty Eradication Cell in their towns though the SJSRY was implemented by them from 1998-99.

6.1.9.3 Non-submission of progress reports

Monthly and quarterly reports on the progress of expenditure under different components of NRY were required to be sent by CMA to GOI. However a perusal of the concerned records in the office of CMA revealed that (i) six quarterly reports of NRY for the period March 1996 to June 1997 and 16 monthly reports for the same period were sent to GOI only in September 1997 by CMA, (ii) 4 out of 10 quarterly reports of SJSRY during March 1998 to June 2000 were not sent by the due date, indicating poor monitoring.

6.1.9.4 Absence of follow-up action

Follow-up action was not taken by the executing agencies to ascertain the improvement due to the implementation of Urban Employment Generation Programme.

No follow-up action was taken by the executing agencies to ascertain the improvement in quality of life and income level of the beneficiaries. They did not maintain any records to indicate the level of income of beneficiaries assisted under the programme for setting up micro-enterprises or to show the income generated by the beneficiaries engaged in wage employment. In the absence of any recorded evidence, the extent to which the Urban Employment Generation Programme helped the urban poor to cross the poverty line could not be ascertained.

6.1.9.5 Evaluation

No evaluation of any of the UEGP was done either by any Government department/agency or by any external agency during the period of review.

6.1.10 Recommendations

Records to indicate the extent of assistance given to the beneficiaries under UEGP and the level of income earned by the beneficiaries from self-employment venture or on wage employment should be maintained to ascertain the improvement in quality of life.

Clear instructions should be issued for the accounting and utilisation of interest earned on the deposits of scheme funds maintained by various implementing/nodal agencies, under respective schemes.

Funds available should be utilised fully for employment generation, by effective coordination with banks and ensuring formation of Urban Poverty Eradication Cells in Town Panchayats.

6.2 Financial Management in Tamil Nadu Water Supply and Drainage Board (Municipal Administration and Water Supply Department) (Tamil Nadu Water Supply and Drainage Board)

Summary Highlights

The Tamil Nadu Water Supply and Drainage Board executes water supply and drainage schemes on behalf of local bodies. Funding is mainly through Government grants and loans from Government and financial institutions. The Board had a very defective budgeting system and its budget was unrealistic; funds were drawn far in advance/without requirement and thereby the Board earned unintended interest benefit at the cost of local bodies. There was large scale diversion of funds and works expenditure was inflated to earn revenue for the Board. The accounts lacked transparency; in a nutshell, the Board mismanaged the funds to survive. Some significant findings are given below.

- **The Board had not kept scheme-wise liability in respect of deposits received for execution of works and showed less liability in the accounts to the extent of Rs 5.50 crore.**

(Paragraph 6.2.4)

- **While preparing the Budget, the estimates for expenditure were prepared based on the anticipated receipts without any reference to the estimated cost of works and the balance of funds available with the Board, rendering the budget unrealistic.**

(Paragraph 6.2.5)

- **The Board drew loan of Rs 48.64 crore far in advance of requirement and in excess of requirement resulting in unnecessary financial burden of Rs 7.58 crore by way of payment of interest to Government and to local bodies.**

(Paragraph 6.2.6)

- **The Board had no control over expenditure as funds were released based on projections according to progress of work. The expenditure under each unit of appropriation had no relation to the receipts and budget provision.**

(Paragraph 6.2.8)

- **The Board pooled all resources and incurred expenditure without any relevance to the purpose for which the deposits were received.**

(Paragraph 6.2.9(i))

Abbreviations used in this review are listed in the Glossary in Appendix XLVII (Page 276).

- **By inflating the works expenditure, the Board earned unintended benefit of Rs 20.58 crore.**

(Paragraph 6.2.9 (ii) (b) and (c))

- **Utilisation certificates were furnished for amounts which had no relation to the actual expenditure incurred.**

(Paragraph 6.2.10)

- **The Board charged 8.5 *per cent* interest on expenditure in excess of deposits received from local bodies but paid only 2.5 *per cent* interest when deposit was in excess of expenditure, resulting in a net interest gain of Rs 24.60 crore at the cost of local bodies.**

(Paragraph 6.2.12)

6.2.1 Introduction

The Tamil Nadu Water Supply and Drainage Board constituted under an Act of Legislature in 1971, executes mainly projects of drinking water and drainage facilities for the entire State except Chennai Metropolitan area. For this purpose, the Board receives grants from both Government of Tamil Nadu (GTN) and Government of India (GOI), loans from GTN, Life Insurance Corporation of India (LIC), Housing and Urban Development Corporation Limited (HUDCO) etc., and deposits from local bodies. On completion of schemes, the assets created are to be handed over to the respective local bodies for maintenance. The Board also executes maintenance schemes incidental to water supply and drainage, like testing of water, purification of water, research activities etc. In addition, the Board maintains certain Water Supply Schemes (WSS). The Board collects centage charges for meeting the establishment expenditure and also realises revenue by way of interest on investments, hire charges for plant and machinery. The Board's accounts are maintained on commercial basis.

6.2.2 Organisational set up

The Board's activities are guided and monitored by the Board of Directors consisting of officers of the GTN. The Managing Director is the executive head of the Board and is assisted by Finance Director, Chief Accounts Officer and Chief Audit Officer on the Finance and Accounts side and 4 Chief Engineers, 17 Superintending Engineers and 86 Divisional Engineers on the execution side.

6.2.3 Audit Coverage

The management of finances by the Board with specific reference to preparation of budget, custody and release of funds and utilisation of funds for the intended purposes for the period from 1994-95 to 1998-99 was reviewed at the Board's office, two regional Chief Engineers' Offices, 20 Divisions of the Board and at the Municipal Administration and Water Supply Department at Secretariat during February to April 2000. The results of the review are discussed in succeeding paragraphs.

6.2.4 Financial Performance

The funds received from various sources and the expenditure incurred during 1994-99 are as under:

(Rupees in crore)

Year	Funds received			Expenditure		
	Deposit works	From GTN for Repayment of loans	Total	Deposit works	Repayment of loans	Total
1994-95	261.98	44.19	306.17	181.39	44.19	225.58
1995-96	209.44	48.43	257.87	190.01	48.43	238.44
1996-97	366.58	54.94	421.52	284.82	54.94	339.76
1997-98	315.18	60.67	375.85	448.95	60.67	509.62
1998-99	492.13	71.70	563.83	487.98	71.70	559.68
Total	**1645.31**	**279.93**	**1925.24**	**1593.15**	**279.93**	**1873.08**

Scheme-wise account was not maintained.

The objective-wise (Rural, Urban, Maintenance and Other deposits) receipt and expenditure for Deposit Works are given in Appendix XXXVIII. It was seen that the balance amount under deposits received for executing works as of March 1999 should be Rs 119.79 crore taking into account the balance of Rs 67.63 crore available at the beginning of 1994-95. However, the liability on this account at the end of 1998-99 was shown in the accounts as Rs 114.29 crore only. As the Board had not kept scheme-wise liability in respect of deposits received for works the difference of Rs 5.50 crore could not be reconciled. Audit has raised this comment while certifying the Accounts for the year 1995-96 and 1998-99.

Government stated (October 2000) that the difference was due to non-adjustment of Transfer Credit Advices (TCA) by the Divisions and Audit had not taken the amount transferred to "Sundry Debtors Works" into account while arriving at the balance. However, the balance under TCA was Rs 30.39 crore and the net amount transferred to "Sundry Debtors Works" during the five years was Rs 9.83 crore and there was still a difference of Rs 26.06 crore required to be reconciled by the Board.

The income and expenditure account as per the annual accounts of the Board revealed that the expenditure incurred during 1994-95, 1996-97 and 1998-99 was more than the income as shown below:

(Rupees in crore)

Year	Income	Expenditure	Excess of income over expenditure (+)/ Expenditure over income (-)
1994-95	82.82	89.10	(-) 6.28
1995-96	97.38	95.87	(+) 1.51
1996-97	104.82	108.39	(-) 3.57
1997-98	157.54	126.80	(+) 30.74
1998-99	215.36	216.65	(-) 1.29

More detailed analysis is given under Paragraph 6.2.12.

6.2.5 Preparation of Budget

Budgets were prepared without any reference to the estimated cost of works and balances of funds available with the Board rendering it unrealistic.

A realistic budget is the main tool for proper management of finance in any organisation. According to the Tamil Nadu Water Supply And Drainage Board Act, 1970, the Budget Estimates (BE) for the ensuing financial year should be approved by the Board of Directors in the month of February each year. Budget preparation, as brought out below, lacked in many respects.

The records relating to the preparation of budget maintained by the Board did not reveal the sources of information in its preparation. The Board stated in June 2000 that the estimates of receipts were formulated based on the communication received from the GTN regarding proposed assistance and the anticipated receipts from GOI, LIC and HUDCO. The estimates of expenditure were prepared based on the anticipated receipts, as budget proposals were not received from the Divisions. The Board also stated that the same procedure was followed in the preparation of Revised Estimates (RE).

The method adopted by the Board was contrary to the provisions of Accounts Manual. As the manual fixed the last date of receipt of proposals from the Divisions as September each year , the Board had to estimate the expenditure and seek Government assistance to implement the pending and new works. Similarly, as the Board was aware of the budget provisions made by the GTN and GOI at the beginning of the year, the RE could be prepared based on deposits on hand at the end of previous year, expenditure incurred and proposed expenditure for the remaining period of the year. Actually, the Board attempted to prepare such a realistic RE for 1999-2000, but, on the directions of the Finance Director, the Budget was prepared as per the old practice. Resultantly, improvements in budget preparation and estimation are still a far cry.

The BE, RE and actuals for receipts and expenditure during 1994-99 in respect of Rural Water Supply (RWS), Urban, Maintenance and Other deposit works are furnished in Appendix XXXIX. It could be seen therefrom that the Board proposed to utilise the entire anticipated receipts even in the RE which was unrealistic and had no bearing on the actual receipts and expenditure of the Board.

Government stated (October 2000) that the Board would prepare realistic budget from RE 2000-2001 and BE 2001-2002.

6.2.6 Receipt of funds

The Board drew the entire allotment of funds provided by GTN, GOI and LIC without any programme. Consequently, huge deposit balances were available with the Board. The drawal of grants and loans for rural and urban water supply and sewerage schemes revealed the following:

(i) Rural Water Supply schemes

Unnecessary drawal of loan from LIC resulted in avoidable interest burden of Rs 4.43 crore to Government.

LIC releases loan assistance for RWS based on the plan allocation approved by GOI. It was seen that the Board drew the LIC loan without requirement during 1998-99 as under:

(a) The Board drew Rs 40 crore in March 1999, which was offered by LIC as additional plan allocation at the fag end of the year. Of this, Rs 27.20 crore

2-24—28

were for execution of 108 rural schemes by Special Urban Division, Coimbatore. Due to non-completion of preliminary works, the Division could spend only Rs 1.55 lakh as of February 2000 resulting in unnecessary interest burden of Rs 2.94 crore to GTN on the above drawal of Rs 27.20 crore for the period from April 1999 to January 2000 at 13 *per cent*. The drawal of funds in excess of requirement indicated poor financial management.

(b) Out of Rs 28.59 crore obtained as loan from LIC in January 1999 for implementing 756 RWS schemes, the Board decided (February 1999) to transfer 426 schemes to Accelerated Rural Water Supply Programme (ARP), which was funded by GOI. Consequently, the loan amount of Rs 11.43 crore obtained from LIC for 426 RWS schemes remained unutilised resulting in avoidable interest liability of Rs 1.49 crore to GTN for the period from February 1999 to January 2000.

Government stated (October 2000) that LIC loan had to be drawn fully within the financial year and due to some unforeseen circumstances loan funds could not be utilised fully. It was further stated that such unnecessary drawal of loan would not arise from 2000-2001 as Government itself proposed to draw the loans from LIC directly, and release the money through budget. However, the fact remains that the Board drew the loans far in advance of requirement thereby creating avoidable interest burden to Government.

(ii) Urban schemes

Drawal of loans far in advance/without requirement resulted in avoidable interest liability of Rs 3.15 crore to local bodies.

The Urban schemes were implemented mainly by raising loan on behalf of the local bodies and though the repayment of loan and interest were met by Government initially, the amount was also a loan liability to the local bodies. Hence, drawal of funds in excess of requirement would result in unnecessary financial burden to Government and to the local bodies ultimately. In the following cases, the Board drew loans more than the requirement.

(a) In respect of the following two schemes, the Board drew Rs 1.93 crore during 1998-99 from HUDCO even though the first instalment of loan drawn from LIC in February 1998 and Government grant received in October 1998 were not entirely spent at the time of drawal of loan.

(Rupees in lakh)

Name of the Scheme	Estimated Cost	Amount drawn		Expenditure incurred upto 1998-99	Loan drawn from HUDCO	Expenditure as of June 2000
		LIC Loan	Government Grant			
Gudiyatham Water Supply Scheme (WSS)	413.00	81.00	..	20.87	133.32 (February 1999)	62.49
Allapuram - Thorapadi WSS	471.21	38.40	80.60	12.32	59.38 (February 1999)	30.57

The drawal of loan in excess of requirement resulted in unnecessary payment of interest (14.5 *per cent*) of Rs 37.25 lakh till June 2000 by these two local bodies.

Government replied (October 2000) that the Board drew loan from HUDCO to avoid delay in execution of Gudiyatham WSS without funds. As to the other scheme, Government attributed the delay to merger of two schemes *viz.*, Allapuram and Thorapadi at the time of execution. However, the fact remains that the Board drew loan when they had sufficient unspent balances under the schemes.

(b) In respect of Thenkasi WSS, the Board obtained Rs 1.64 crore as loan from GTN and even before spending 50 *per cent* of loan amount, the Board drew Rs 4.12 crore as loan from HUDCO in February 1999. The expenditure as of March 2000 was only Rs 74.55 lakh. The advance drawal of loan from HUDCO resulted in avoidable payment of interest of Rs 64.72 lakh at 14.5 *per cent* for 13 months by the Thenkasi Municipality.

The reply of the Government that, in order to speed up the execution of the work, the loan was drawn from HUDCO was not tenable since there was a huge unspent balance of loan obtained from GTN.

(c) The Board commenced the Kumbakonam WSS by obtaining a loan of Rs 1 crore from GTN in February 1997 and completed the scheme at a cost of Rs 15.16 crore in January 1999 by utilising the unspent balances from other schemes. The Board obtained a loan of Rs 12.59 crore from HUDCO in February 1999 and Rs 6.41 crore from GTN in March 1999 as against the expenditure of Rs 15.16 crore for this scheme. As there was an excess drawal of loan of Rs 4.84 crore, the Board transferred (May 1999) an amount of Rs 2.53 crore out of Rs 12.59 crore received from HUDCO to Mayiladuthurai WSS and treated as loan from HUDCO for that scheme. The balance of Rs 2.31 crore remained unspent as of February 2000. The excess drawal of loan of Rs 2.31 crore from GTN resulted in avoidable payment of interest of Rs 30.70 lakh (at 14.5 *per cent*) for 11 months (February 2000).

Government stated that the unspent balance would be utilised for providing a collector well for which a proposal was received from the Chief Engineer. The reply was not tenable since the proposal has been received only during September 1999 whereas the loan amount was drawn in March 1999 itself proving unwarranted drawal.

(d) The Salem Sewerage Project commenced in May 1985 with the loan assistance of Rs 2.16 crore from LIC and GTN and contribution of Rs 15 lakh from the Salem Municipality without acquisition of land for disposal site. The Board drew additional loan of Rs 1.65 crore[1] from LIC (Rs 0.27 crore) and from GTN (Rs 1.38 crore). The Board stopped the works during 1997-98 after incurring total expenditure of Rs 1.76 crore. Though the Salem Municipality (now Corporation) decided (June 1998) to execute the work themselves, the Board had not handed over the scheme to the Corporation as of February 2000 for want of completion of joint inspection and finalisation of accounts. The Board refunded (November 1999) Rs 2 crore to the Corporation retaining Rs 20 lakh for final settlement of account. The unnecessary drawal of loan of Rs 1.65 crore resulted in avoidable liability of interest of Rs 1.82 crore upto October 1999 at the rate of 10.25 *per cent* charged by LIC to the Corporation whereas Rs 53.62 lakh was credited as interest for utilising this fund for other schemes.

Government accepted the delay in finalisation of disposal site but contended that the Board had not derived any revenue at the cost of local body. This contention was not tenable as the Board paid only 2.5 *per cent* interest on the unspent amount but realised 8.5 *per cent* interest from other local bodies for utilising the money on other urban schemes.

[1] During 1988-89 – Rs 1.48 crore and 1989-90 – Rs 0.17 crore.

The imprudent action of the Board in drawing loan more than the requirement resulted in increased financial burden to the local bodies. They were kept in the dark about their increasing liability. Government stated that instruction had been issued to draw the loans for the urban schemes only when the work orders were issued.

6.2.7 Custody of funds

According to the orders of GTN, issued in July 1985, all Budget releases of grants were to be credited to non-interest bearing Personal Deposit (PD) Account and all Budget releases of loans, ways and means advances and surplus funds of the Board were to be credited to PD Account bearing interest at 5 *per cent*. In February 1996, GTN ordered that another PD Account bearing 9 *per cent* interest was to be operated for crediting funds received directly by the Board from GOI and from other sources including LIC, HUDCO, etc. The interest earned on the PD Account was treated as a revenue to the Board. The Board maintains Current Account in five[2] nationalised banks for carrying out its day to day activities and the deposits received by the Divisions were also transferred to Board's accounts at Head Office. The Divisions maintain one current account for receiving funds from Head Office and another Savings Bank Account for depositing the receipts for eventual transfer to Head Office. Divisional Officers were not authorised to utilise the receipts for expenditure.

(i) Operation of PD Accounts

The total deposits received by way of budgetary release of grants and loans and other sources and the amount deposited in the three PD Accounts during 1994-99 are as under:

(Rupees in crore)

Year	Budget Release		Other deposits	Total	PD Account Deposits			Total
	Grant	Loan from GTN			Not-bearing interest	5 *per cent* interest	9 *per cent* interest	
1994-95	159.68	106.27	81.99	347.94	198.52	28.35	Nil	226.87
1995-96	112.49	30.26	175.12	317.87	132.10	21.41	66.21	219.72
1996-97	210.16	36.03	175.33	421.52	233.54	31.22	135.06	399.82
1997-98	143.90	32.56	199.39	375.85	176.66	12.59	177.66	366.91
1998-99	165.19	46.64	352.00	563.83	242.19	NIL	289.55	531.74
Total	**791.42**	**251.76**	**983.83**	**2027.01**	**983.01**	**93.57**	**668.48**	**1745.06**

Government orders not followed.

It was observed that the amount remitted in the non-interest bearing PD Account was more than the grants received during every year due to remittance of a portion of the loan amount received from GTN into non-interest bearing PD Account contrary to Government instructions. The Board had not taken any action to correct the misclassifications by the Director of Treasuries and Accounts, resulting in loss of revenue by way of interest to the Board.

Government stated that there were no specific orders regarding remittance of loans and grants received from sources other than GTN prior to opening of special PD Account resulting in higher deposits in non-interest bearing PD

[2] Bank of India, Canara Bank, Indian Bank, State Bank of India and Union Bank of India.

account. This contention was not tenable as there was less deposit in 5 *per cent* interest bearing PD account than the loans from GTN and in the special PD account than the deposits received from other sources after February 1996 indicating misclassification in all the five years.

(ii) According to order issued by Government in February 1996, funds received from GOI and loans received from other sources such as HUDCO, LIC, etc., were to be credited to the PD Account bearing 9 *per cent* interest. Accordingly, the Board credited the amount received from LIC for implementing RWS and Urban Water Supply Schemes to this PD Account. It was seen that the loan from LIC for implementing RWS schemes was based on the plan allocation to State Government by GOI and the Board acted as the nodal agency for drawing the loan. GTN releases grants to the Board for repayment of this loan and interest thereon. During 1996-99, GTN released grant of Rs 115.63 crore towards repayment of loan and interest thereon to LIC. Hence, keeping this loan amount in interest bearing PD Account was not justified. By following this practice, GTN meets the interest liability of 13 *per cent* to LIC as well as 9 *per cent* interest to the Board. Consequently, the Board earns interest revenue of 9 *per cent* without incurring any expenditure on principal or interest on these loans.

Government stated that as per the revised procedure, Government itself would draw the loan from LIC/HUDCO directly and would release it to the Board in the form of capital grants from 2000-2001. However, no justification was given by Government for the procedure hitherto followed.

(iii) GTN paid interest to the Board only upto December 1995. The interest amount due to the Board for the period from January 1996 to December 1999 was Rs 10.39 crore which was claimed by the Board in June 1999 and August 2000.

Recommendation of Committee on Public Undertakings not implemented.

(iv) GOI released Rs 1.45 crore to the Board for purchase of rigs for use in 1987 drought relief works. The Board, however, purchased the rigs costing Rs 1.12 crore during 1988-89 and 1994-95. The unspent balance was retained by the Board. When non-utilisation of the rigs for the intended purpose was brought out in the Report of the Comptroller and Auditor General of India for the year ending March 1990 (Civil), Government of Tamil Nadu, the Committee on Public Undertakings recommended (February 1996) that entire amount of Rs 1.45 crore should be refunded to GOI. As of March 2000, the Board had not refunded the amount.

Government stated that the Board had resolved to adjust the unspent balance of Rs 32.42 lakh against the share to be met from ARP. The reply was not tenable since the Committee on Public Undertakings recommended to refund the entire amount to GOI.

6.2.8 Release of funds

The Accounts Manual of the Board provides for appropriation of the approved budget provisions under each head of account *viz.*, Rural, Urban, Maintenance, etc., and communication of the appropriation to the implementing officers. The appropriation may be increased or decreased by the formal order of reappropriation. The Divisional Officers were to render monthly expenditure statement against the appropriation for each head of account. For incurring expenditure, the Divisional Officers were issued letter of authority by which they were authorised to draw cheques on the Main Bank at Head Office through local branch, encashable at par, up to the limit authorised by the Board every month. The Board introduced (October 1994) the system of release of funds through cheques to the Divisional Officers based on the projections received from them according to the progress of work.

Wide difference between approved budget and financial target.

(i) It was seen that the Project Monitoring wing of the Board collected details of spill over works and new works to be undertaken along with the funds required from the Divisions and fixed physical and financial targets for each year during the month of July. The financial target widely differs from the approved budget outlay as revealed under:

(Rupees in crore)

Year		RWS				Urban
		ARP	MNP*	LIC	Total	
1994-95	Budget	35.00	33.20	23.61	91.81	57.50
	Financial target	40.64	11.78	31.28	83.70	34.23
1995-96	Budget	40.00	33.20	28.00	101.20	141.87
	Financial target	35.30	61.61	15.40	112.31	46.45
1996-97	Budget	48.00	35.00	33.33	116.33	288.45
	Financial target	57.52	14.08	40.01	111.61	62.24
1997-98	Budget	85.00	80.00	35.00	200.00	121.81
	Financial target	103.80	64.10	67.10	235.00	120.95
1998-99	Budget	110.00	110.00	53.74	273.74	81.50
	Financial target	111.50	82.51	108.00	302.01	149.47

* **Minimum Needs Programme**

Thus, the financial targets fixed by the Board had no correlation with the Budget provision.

No control of expenditure against Budget outlay.

(ii) Actual expenditure in respect of various units of appropriation are given in Appendix XXXIX. As funds were released based on the progress of work by the Finance Wing, the expenditure was being incurred on the basis of availability of funds with the Board by diverting the deposits/loans received under one scheme to another. Consequently, the expenditure under each unit of appropriation had no relation to the receipts and budget provisions. Thus, the Board had no control over expenditure against the Budget outlay.

Government stated that action would be taken to make specific appropriation under each unit of expenditure like ARP, MNP, LIC and Urban with reference to receipts from BE 2000-2001.

6.2.9 Utilisation of funds

The receipt (Deposits) and expenditure under various units of appropriation during 1994-99 are given in Appendix XXXVIII.

Large Scale diversion of funds.

(i) The Board incurred less expenditure than receipts under RWS during 1994-97 and incurred more expenditure than receipts during 1997-99. While the expenditure under maintenance was invariably more than the receipts (except 1994-95), the Board incurred less expenditure under 'Other Deposits' except in 1995-96 and 1998-99. Thus, there was large scale diversion of funds received for one purpose to another. This was mainly due to pooling of funds received for various purposes and incurring of expenditure according to the progress of work. The trend of expenditure under various units of appropriation may not show real financial position of the Board.

Government stated that in order to avoid diversion of funds, it was proposed to open separate PD Accounts for RWS, Urban and Administrative expenses.

(ii) The Tamil Nadu Water Supply and Drainage Board Act, 1970 provides for collection of centage charges by the Board at prescribed rates to cover the cost of establishment actually incurred on the execution of work/scheme. The centage charges were fixed at 18.5 *per cent* from 1991-92 with the approval of the Government. The centage charges was to cover establishment employed in the divisions, circles, regions and Head Office, pension and gratuity, audit and accounts and training. In respect of urban works, the Board charged 8.5 *per cent* interest on the excess expenditure incurred over deposits in respect of each scheme and paid interest at 2.5 *per cent* on the unutilised deposits under the scheme. Thus, the revenue of the Board included centage charges and interest on excess expenditure over deposits. The following observations are made:

(a) The Board charged centage for all works except for works executed under Anna Marumalarchi Thittam, a State Plan Scheme and Members of Parliament Local Area Development Scheme, a Centrally Sponsored Scheme, as these two schemes did not provide for charging of centage. Though the Centrally sponsored ARP did not allow charging of centage from January 1995, the Board charged 18.5 *per cent* centage for this scheme also. When the excess charging of centage of Rs 11.44 crore under this scheme was pointed out by Audit in Para 6.6.9 of the Report of the Comptroller and Auditor General of India (Union – Civil) for the year ended March 1997 (No.3 of 1998), the GOI proposed to disallow the excess centage charged by the Board against the allotment for 1998-99. Consequently, the Board decided not to charge any centage on ARP schemes but to book the centage related to this scheme under State Government grant for MNP. Similarly, as the Centrally sponsored scheme of 'National River Action Plan' allowed centage of 8 *per cent* only, the Board booked the excess 10.5 *per cent* centage relating to this work under MNP during 1998-99. As MNP funds are provided for implementing specific schemes under RWS, booking of centage charges relating to other schemes amounting to Rs 23.43 crore under this scheme was irregular. The Board had not brought this to the notice of GTN.

It was stated by the Board that it was not having any funds of its own and difference in centage has to be compensated by the Government. As Government was not giving any financial assistance, the Board charged centage on MNP funds. However, there was no order of Government to follow this procedure.

Works expenditure inflated to earn centage charges.

(b) Though the centage charges covers establishment employed on execution which included staff deployed for maintaining stores, the Board charges storage in addition to the centage charges to the works thereby inflating the works expenditure. This resulted in an unintended benefit of Rs 18.10 crore to the Board during 1994-99.

Government replied that in Public Works Department and other departments, the expenditure on section stores were charged to works accounts only. The reply was not tenable since the centage charged by the Board cover the establishment expenditure of the Division as a whole including the stores sub-division and charging of storage separately was not in order.

Unintended benefit to the Board by charging the drivers' salary twice in works expenditure.

(c) The Board worked out the hire charges of vehicles taking into account the salary of driver, propulsion charges, depreciation, interest, repairs, etc. As the drivers' salary was included in the centage charges, inclusion of this item for working out the hire charges of vehicles which was charged to works expenditure was irregular. The proportion of drivers' salary in the hire charges of vehicles worked out to 8.5 *per cent* (approximately). Irregular inclusion of drivers' salary in the hire charges for vehicles resulted in unintended benefit of Rs 2.48 crore to the Board during 1995-99.

Government stated that the drivers' salary was included in the annual maintenance estimate of the vehicle only and proportionate cost was debited to works expenditure. The reply was not tenable since the drivers' salary forms part of the regular establishment which was covered by centage. Therefore, inclusion of the same under works expenditure in addition to centage was not in order.

6.2.10 Utilisation Certificates

The Board had given utilisation certificates (UC) in respect of grants received from GOI and grants received from GTN (MNP and LIC for Rural Works). The year-wise details of grants received, expenditure incurred and UC furnished are given below:

(Rupees in crore)

	1994-95	1995-96	1996-97	1997-98	1998-99	Total
GOI						
Grants received	38.84	74.63	60.26	58.34	105.28	337.35
Expenditure incurred	27.46	40.79	34.33	80.66	154.68	337.92
UC furnished	37.19	38.90	34.28	58.34	131.51	300.22
MNP and LIC						
Grants received	64.72	86.12	115.31	123.22	230.96	620.33
Expenditure incurred	53.02	67.38	104.95	153.36	187.93	566.64
UC furnished	64.72	60.74	64.88	136.41	233.15	559.90

It could be seen from the above that the Board had given UC for an amount different from the expenditure incurred. It was observed from the UC for Rs 131.51 crore given for 1998-99 under ARP that the Board had included the expenditure of Rs 11.32 crore incurred on 674 schemes which were not approved by Empowered committee. The Board did not give UC in respect of other grants received from GTN and GOI.

Government stated that the details of expenditure furnished by the Board to Audit under GOI grant, LIC and MNP were not correct. However, it was seen that the UC given varied widely even with reference to total expenditure incurred under rural sector given in Appendix XXXVIII.

6.2.11 Accounting

The Board maintained only a consolidated account of deposits received and expenditure incurred in respect of various schemes under broad heads of account like ARP, MNP, Urban etc., and hence the scheme-wise receipt, expenditure and balance were not compiled. For urban schemes, detailed accounts were maintained only in the Divisions. The Annual Accounts of the Board indicated the balance amount of deposits received which was arrived at based on deposits received and works expenditure incurred under various schemes. In the absence of scheme-wise break-up details for the balance amount of deposits available with the Board, the important managerial information regarding financial progress of works under various deposit schemes was lacking. Consequently, the progress of works under various schemes was monitored during review meetings even without this feedback details from the Finance Wing.

The funds drawn from the three PD Accounts are kept in five nationalised banks and utilised for implementing the schemes as well as for meeting Board's expenditure. Thus, the scheme funds were mingled with Board's funds.

Government stated that the audit observation has been taken cognisance of by the Board and proposals have been sent to Government for opening separate PD Accounts for RWS, Urban and Administrative expenditure and on receipt of Government order, expenditure would be met separately. Government also agreed to monitor programme-wise (for RWS) and scheme-wise (for Urban) accounting.

6.2.12 Financial results of the Board

The financial results of the Board as revealed from the Income and Expenditure Accounts are furnished in Appendix XL.

(i) Administrative expenses

The Board could not meet the entire establishment charges out of centage earned except in 1997-98. The report of Anna University (March 1996) which conducted a research study to reduce Administrative and Supervisory charges recommended for providing staff strength, privatisation of certain activities and streamlining of reporting system. Based on the study report, the Board analysed the work load and work norms in each office in detail and redeployed the staff taking into account the increased budget outlays from 1997-98. However, the final decision on staff requirement consequent on the introduction of Turn Key System was not taken as of October 2000.

(ii) Interest charges

The Board paid lesser interest on unutilised loan resulting in financial burden to local bodies.

For implementing Urban schemes, the Board raises loan on behalf of local bodies with LIC, HUDCO and Government at interest rates ranging from 13 *per cent* to 14.5 *per cent*. The money is kept in PD account earning 9 *per cent* interest and if utilised for other schemes, the Board realises an interest of 8.5 *per cent*. However, the Board allows to the local bodies only 2.5 *per cent* interest on unutilised loans kept by them. In addition, the local bodies have to meet the loan liability with interest on the amount of repayment of loan to LIC etc. Thus, the local bodies have to suffer huge interest liabilities if the loan raised by the Board was kept unutilised. Besides, the Board tends to raise loans without immediate requirement in order to earn interest income at the cost of local bodies.

During 1994-99, the Board earned Rs 26.65 crore towards interest on excess of expenditure over deposit on Urban schemes but paid only Rs 2.05 crore for the unutilised fund remaining with the Board on Urban schemes.

The Board stated that the matter would be referred to Government for taking appropriate decision.

6.2.13 Suggestions

- The method of budgeting should be revamped so that the requirements are projected in a realistic manner.
- Loans should be raised according to necessity, thereby avoiding drawal of funds far in advance/without requirement.
- The accounts should be more transparent and should reveal the deposit balances under rural (source-wise), urban and other deposits (scheme-wise).
- Scheme funds should not be merged with Board's funds.
- As loans were drawn and repaid by the Board on behalf of local bodies, the Board should periodically inform the local bodies about their liability.
- Local bodies should be paid interest on excess deposits over expenditure on par with the rate charged by the Board for excess expenditure over deposits.

The Board accepted the suggestions.

SECTION – B
AUDIT PARAGRAPHS

6.3 General

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

During 1999-2000, financial assistance of Rs 4220.82 crore was given to various autonomous bodies and other institutions broadly grouped as under:

(Rupees in crore)

Serial Number	Name of Institution	Amount of assistance paid		
		Grant	Loan	Total
1	Universities and Educational Institutions	1528.00	3.33	1531.33
2	Municipal Corporations and Municipalities	62.00	50.34	112.34
3	Zilla Parishads and Panchayat Raj Institutions	1430.00	..	1430.00
4	Development Agencies	384.00	89.79	473.79
5	Hospitals and other Charitable Institutions	11.52	..	11.52
6	Other Institutions	302.36	359.48	661.84
	Total	**3717.88**	**502.94**	**4220.82**

6.4 Delay in furnishing utilisation certificates

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

Of 14,298 utilisation certificates due in respect of grants aggregating Rs 643.23 crore paid during the period from 1981 and earlier years to March 1999, only 118 utilisation certificates for Rs 12.02 crore had been furnished by 30 September 2000 and 14,180 certificates for an aggregate amount of Rs 635.38 crore (including Rs 4.17 core relating to the year 1996-97 reported during this year) were in arrears. Department-wise break-up of outstanding utilisation certificates was as given below :

Serial Number	Department	Number of Certificates	Amount (Rupees in lakh)
1.	Adi Dravidar and Tribal Welfare	1215	1546.17
2.	Agriculture	55	4719.41
3.	Animal Husbandry and Fisheries	31	1023.65
4.	Co-operation, Food and Consumer Protection	88	366.74
5.	Handlooms, Handicrafts, Textiles and Khadi	20	256.62
6.	Health, Indian Medicine and Homoeopathy and Family Welfare	25	67.86
7.	Housing and Urban Development	14	119.00
8.	Municipal Administration and Water Supply	1622	14349.41
9.	Public Works	61	77.45
10.	Revenue	889	3221.91
11.	Rural Development	714	31918.67
12.	School Education	20	2.91
13.	Social Welfare and Nutritious Meal Programme	9426	5867.76
	Total	**14180**	**63537.56**

6.5 Delay in submission of accounts

In order to identify institutions which attract audit under section 14 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 regarding financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions.

Out of 1538 accounts pertaining to 1984-85 to 1998-99 received by Audit during 1999-2000, 549 accounts had attracted audit under Section 14 of the Act. Of these 313 accounts were audited during the year 1999-2000. Information regarding financial assistance given to various Universities, etc., and their expenditure for the years 1998-99 and 1999-2000 called for was awaited (September 2000) from 19 departments of Government and their respective Heads of Department. Some autonomous bodies/Panchayat Unions that had received grants exceeding Rs 25 lakh from the following departments have not submitted audited accounts to the Accountant General for several years.

Sl.No.	Name of the Department	Year from which accounts had not been furnished
1.	Education, Science and Technology, Educational institutions and miscellaneous institutions	1987-88
2.	Rural Development	1987-88
3.	Municipal Administration and Water supply	1990-91
4.	Co-operation	1996-97

Particulars regarding Government Companies are featured in the Report of the Comptroller and Auditor General of India (Commercial), Government of Tamil Nadu every year.

6.6 Entrustment of audit by the Government

Audit of accounts of the bodies mentioned in the Appendix XLI has been entrusted to the Comptroller and Auditor General of India by the State Government.

6.7 Audit arrangement

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

Sl.No.	Name of the Institution	Audit conducted by
1.	Panchayati Raj Institutions	Director of Local Fund Audit
2.	Educational Institutions	
	a) Schools	Internal audit of the Directorate of School Education
	b) Colleges	Internal audit of the Directorate of Collegiate Education
	c) Polytechnics	Chief Internal Auditor and Statutory Boards Audit
	d) Universities	Director of Local Fund Audit
3.	Cooperative Institutions	Director of Audit of Co-operative Societies
4.	Miscellaneous Institutions	Chartered Accountants

The audit observations in respect of these are given in the following paragraphs.

HOUSING AND URBAN DEVELOPMENT AND REVENUE DEPARTMENTS

CHENNAI METROPOLITAN DEVELOPMENT AUTHORITY

6.8 Delay in acquisition of land for Land Assembly and Development Scheme

Improper selection of site for Land Assembly and Development Scheme resulted in the scheme not taking off even after 9 years since its approval, besides unfruitful expenditure of Rs 2.04 crore including Rs 1.51 crore on administrative cost.

Government approved (June 1990) the proposal of Chennai Metropolitan Development Authority (CMDA) for Land Assembly and Development Scheme (LADS) along the Northern segment of inner ring road to meet Thiruvottiyur-Ponneri-Panjatti to prevent speculative exploitation of land adjoining the inner ring road by land developers, to promote development of both sides of inner ring road and to meet the growing demand for housing and other urban commercial requirement, at a total cost of Rs 2 crore (Rs 0.30 crore administrative cost and Rs 1.70 crore compensation towards acquisition of land). The scheme was to be completed during 1992-1997.

It was decided to acquire 69.64 hectares along the northern segment of inner ring road. CMDA deposited Rs 86.31 lakh in March 1992 and August 1997 towards cost of 18.02 hectares of land, but only 8.59 hectares of land (cost: Rs 53.25 lakh) had been taken possession as of April 2000 as indicated below.

Phase	Land Identified	Extent of land in Hectares			
		For which notification issued	For which award passed		Taken possession
			Area	Month	
I	12.23	12.23	8.25	September 1993 and April 1994	3.27
II	11.57	11.57	..	..	..
III	45.84	5.79	5.79	June 1997	5.32
	69.64	**29.59**	**14.04**		**8.59**

It was observed that notification had not been issued for 40.05 hectares as it included wet lands which required inevitability certificate from the District Collector. CMDA informed Audit (May 2000) that 3.27 ha of the land taken possession till March 2000 (Cost: Rs 8.86 lakh) were scattered and hence no development scheme could be drawn up and implemented. CMDA also stated that private participation in development of lands on both sides of Inner Ring Road was being studied.

Thus, improper selection of site by CMDA, involving huge extent of wet lands, resulted in the scheme not taking off even after nine years since Government approval and non-achievement of the envisaged objectives, besides an idle investment of Rs 53.25 lakh in acquiring 8.59 ha of land. Also, an amount of Rs 1.51 crore incurred by CMDA towards cost of personnel during 1991-2000, against the original sanction of Rs 0.30 crore, remained largely unfruitful.

The matter was referred to Government in May 2000; reply had not been received (February 2001).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

TAMIL NADU HOUSING BOARD

6.9 Blocking of funds on houses constructed under Small and Medium Towns Scheme

Failure to assess demand for the houses before commencement of construction and wrong selection of sites resulted in non-allotment of 1206 out of 2120 houses constructed under Small and Medium Towns Scheme and blocking of Board's funds to the tune of Rs 17.01 crore.

The scheme of construction of houses for sale to public in small and medium towns in 20 districts with basic amenities was launched by Government in

October 1989. The scheme was to be implemented by Tamil Nadu Housing Board (Board) and Tamil Nadu Co-operative Housing Federation. The Board implemented the scheme with financial assistance mainly from Housing and Urban Development Corporation Limited (HUDCO) and other financial institutions.

Test-check conducted during February-March 2000 in respect of the nine schemes[a] executed by six divisions[b] of the Board revealed the following.

The Board completed the construction of 2120 houses in the nine schemes between October 1994 and March 1997 at a cost of Rs 27.65 crore by borrowing Rs 13.93 crore from HUDCO and other financial institutions. As of December 1999, 1206 houses constructed at a cost of Rs 17.01 crore remained unallotted. The details of construction and the reasons for non-allotment are indicated in Appendix XLII. The poor demand was mainly attributed to locational disadvantage, high cost and lack of facilities.

The following failures of the Board contributed to the non-allotment of houses.

(i) The Board, in February 1990, gave general directions that the demand assessment should be conducted before the commencement of the actual construction at a particular location so that the houses constructed were not kept vacant for want of demand. The Board conducted (March 1990) the demand survey mentioning the tentative cost of the houses without indicating the exact location. Subsequently by the time of land acquisition and issue of administrative sanction to these works (October 1991 to December 1994) the anticipated cost of the schemes escalated on an average from 203 to 247 *per cent* of the advertised cost. Executive Engineers (EE) of the Board failed to conduct the demand assessment mentioning the cost as per administrative sanction and the actual location of the houses as directed by the Board in February 1990. Consequently, there was no demand for 57 *per cent* of houses due to escalation in the cost and location of these houses being away from the towns and other problems mentioned in Appendix XLII.

(ii) In order to meet the working capital required for the scheme, it was decided (July 1991) by the Board that as soon as the tenders were finalised, lots should be drawn and provisional allotment made indicating the selling price and initial deposit of 30 to 40 *per cent* of the selling price should be collected from the allottees. Though all the nine schemes were sanctioned after this decision, the EEs of the executing divisions failed to follow this procedure. If such deposits had been taken from the persons who had responded to the demand assessment made in March 1990, there would not have been large scale withdrawal after the completion of the houses.

(iii) In respect of Udumalpet scheme, the Board identified temple land within Udumalpet town which was offered at a cost of Rs 2 lakh per acre in December 1990. Government also instructed in January 1991 to purchase the temple land after negotiation. As the land cost was considered very high, the EE, Special Division II, Coimbatore purchased (December 1991) 20.57 acres of land at a cost of Rs 18.51 lakh in a village which was 6 km away from town without adequate transport facilities. Consequently, 311 out of 316 houses

---

[a] Chengam, Madhuranthagam, Palladam, Rajapalayam, Sankaraperi, Srivilliputhur, Thirumangalam, Udumalpet and Virudhachalam.

[b] Korattur Division, Special Division II - Coimbatore, Special Division (Ellis Nagar) Madurai, Tirunelveli Housing Unit, Thiruvannamalai Housing Unit and Villupuram Housing Unit.

constructed in this scheme remained unallotted as the area was surrounded by agricultural land and there were no facilities like transport, school, shops, etc.

(iv) Due to delay in taking up and completion of the projects, the sale price of the houses fixed were much higher (238 to 367 *per cent*) than the tentative cost fixed while assessing the demand. The pricing policy adopted by the Board also did not provide for comparison of selling price with the prevailing market rate. Consequently, the persons who had responded to the demand assessment did not come forward to take up the allotment due to high cost of houses.

(v) There was a delay of 3 to 14 months from the proposed date of completion as per the selling price statement and the actual date of completion. The Board further increased the selling price by capitalising interest during this period.

(vi) The pricing policy provided for capitalisation of interest after the project period by adding interest on the selling price at regular intervals in respect of the unalloted houses. The capitalised value of the 1206 houses unalloted therefore rose to Rs 26.51 crore as of December 1999. Hence the prospect of allotment of these houses remained bleak.

It was seen from the foregoing, that the primary factors like location and cost of the houses were not given due consideration by the Board. Further, the pricing policy of the Board also contributed to the high cost resulting in poor demand from public. Thus, the Board's funds to the tune of Rs 17.01 crore remained blocked for more than two years.

When the matter was reported to Government in June 2000, Government stated (October 2000) that acquisition of land through Land Acquisition Act and administrative procedures were time consuming and there was a time gap of 2 to 3 years between demand assessment and the actual completion which led to the poor demand. It was also stated that out of 77 schemes implemented, the Board could sell most of the houses and realise the investment except in the nine places objected to by audit. The reply was not tenable since the cost of the houses escalated on an average from 203 to 247 *per cent* of the advertised cost even at the time of administrative sanction and there was a clear failure on the part of the Board in not reassessing the demand before commencement of construction. As regards the claim of good sale of houses in other schemes executed, it was noticed that in sixteen more schemes, 825 houses valuing Rs 24.89 crore remained unallotted as of September 2000.

6.10 Non-allotment of shops due to high sale price compared to market rate

Injudicious fixing of sale price of shops resulted in the non-allotment of 39 shops and non-realisation of revenue of Rs 7 crore. Besides, wasteful expenditure of Rs 53 lakh was incurred due to withdrawal of the air conditioning facility.

The Tamil Nadu Housing Board (Board) constructed in December 1997 a four-storeyed commercial-*cum*-residential complex at Luz Corner, Mylapore in Chennai (cost: Rs 14.67 crore) which included 49 shops with centralised Air Conditioning (AC) and 144 residential flats. The Board sold the flats but could not sell the shops due to higher cost (Rs 3700 per Square foot (sq.ft.) fixed in March 1996 increased to Rs 5200 per sq.ft. by December 1998) and non-preference for AC on account of high maintenance cost of Rs 5100 to Rs 24750 per shop per month. The Board disconnected (February 1999) the

AC and fixed (September 1999) the price of shops at Rs 3000 per sq.ft. Even after this there was no demand. The Executive Engineer, Tower Block Division attributed (May 2000) the poor demand to high cost and non availability of proper approach to the shops which were built 200 metres away from the main road. As of February 2000, 39 shops measuring 38870 sq.ft. were lying vacant.

In this connection, the following observations are made:

(a) According to the pricing policy adopted by the Board, the price of shops was to be fixed taking into account land cost, development cost, construction cost, interest on investment for half of the project period, collection charges and profit. After completion of the project, interest was added at regular intervals till the date of sale. Thus, the pricing policy, instead of considering the actual interest on investment provides scope for capitalisation of interest arbitrarily during the project period as well as on selling price after the project period. The pricing policy also did not provide for comparing the price with market rate.

(i) The Board inflated the land cost as well as the construction cost and capitalised the interest on investment to fix the sale price at Rs 3700 per Sq.ft as of September 1996. Even by adopting the method prescribed for capitalisation of interest in the pricing policy, the price of the shops based on actual land and construction cost worked out to Rs 1800 per Sq.ft (*vide* Appendix XLIII) only. After fixing the price at an abnormally higher rate, the Board, without ascertaining the prevailing market rate, attempted to sell the shops at a price much higher than the market rate, resulting in poor demand.

(ii) Inspite of poor demand, the Board increased the selling price at regular intervals by adding interest to the selling price and the price reached an abnormally high rate of Rs 5200 per sq.ft. by December 1998. Even after disconnection of the AC, the Board fixed the selling price at Rs 3750 per sq.ft which was much higher than the market rate which ranged between Rs 2500 and Rs 3000 per sq.ft only. Even when the Board reduced the selling price to Rs 3000 in September 1999, there was no demand.

Thus, the pricing policy of the Board adopted without any comparison with the market rate was the main cause for non-realisation of the revenue of Rs 7 crore in respect of 38870 sq.ft area at Rs 1800 per sq.ft for the period from April 1996 to March 2000.

(b) The Board originally earmarked the ground floor for office complex. Anticipating poor demand for office complex and considering the location of the project in the heart of the city and to attract good buyers, the Board decided to convert it into a shopping complex with centralised AC facility. While taking the decision, the Board neither assessed the demand for office complex and shopping complex nor considered the location of construction which was not on the main road and the huge maintenance cost of centralised AC. Consequently, the Board had to disconnect the AC and the High Tension (HT) power supply and assessed that material worth of Rs 1.02 crore alone would be retrieved as against the expenditure Rs 1.55 crore on provision of AC and HT power supply and its maintenance. As of August 2000, the Board had not dismantled the AC system as no alternative proposal for its utilisation was approved. The decision to provide centralised AC resulted in a wasteful expenditure of Rs 53 lakh.

The matter was referred to Government in May 2000; reply had not been received (February 2001).

6.11 Unintended benefit to a private agency

In order to avail World Bank loan the Board deposited Rs 90 lakh with a private agency for providing water supply resulting in unintended benefit of Rs 13.50 lakh by way of interest.

In order to benefit the labour population of the industrial town of Tiruppur in Coimbatore District, the Tamil Nadu Housing Board (Board) implemented the Sites and Services Scheme in Mudalipalayam at Tiruppur at an estimated cost of Rs 40.53 crore under Tamil Nadu Urban Development Project (TNUDP), a World Bank-assisted project. The scheme, among other things, envisaged water supply of 49 lakh litres per day to the allottees.

The Executive Engineer, TNUDP Division, Coimbatore (EE) proposed to provide 20 lakh litres per day directly and approached (February and May 1996) New Tiruppur Area Development Corporation Limited, a private agency in charge of providing all infrastructural facilities to Tiruppur Town, for the remaining 30 lakh litres of water. The private agency agreed (June 1996) for the water supply, provided the Board met the capital cost of the pipeline and paid for the water supply at commercial rates. While the matter was being examined, the EE of the Board paid (August 1997) Rs 90 lakh to the private agency towards the capital cost without entering into any agreement and without seeking Government approval for making advance payment to a private agency. This was done to avail the World Bank loan under TNUDP, which came to a close in September 1997.

As the agency had not commenced work on their water supply project , the EE requested (April 1998) for the refund and the agency refunded Rs 90 lakh in December 1998. Thus, due to this irresponsible and unauthorised action, the EE extended an undue financial benefit of Rs 13.50 lakh (at the interest rate of 12 *per cent* per annum charged by Government for the World Bank Project) to the private agency which kept the advance of Rs 90 lakh for a period of 15 months. Besides, the Board incurred wasteful expenditure of Rs 13.50 lakh towards payment of interest to Government on Rs 90 lakh loan taken, which was not utilised.

The matter was referred to Government in April 2000; reply had not been received (February 2001).

TAMIL NADU SLUM CLEARANCE BOARD

6.12 Loss to the Board due to poor planning

In order to compensate the loss incurred on construction of slum tenements, the Board took up the construction of MIG flats at Andipatti in Salem District without assessing viability of the scheme, resulting in estimated loss of Rs 3.61 crore.

Government, in February 1993, permitted the Tamil Nadu Slum Clearance Board (Board) to take up Urban Renewal Projects (URP). The project envisaged the construction of a mixture of tenements for weaker sections, Middle Income Group (MIG) and High Income Group (HIG), housing/commercial complex with loan assistance from housing finance institutions, subject to the condition that repayment to housing finance institutions should be met from the earnings of the project. Thus, the Board was to sell the MIG and HIG houses at market value and the surplus amount earned could be utilised for offsetting the loss due to offering houses to economically weaker sections at their affordable limit.

Based on the demand assessment conducted in December 1993 wherein there was response from 354 persons for 132 MIG flats at a price of Rs 539 per square foot (sq.ft.), the Board in March 1996, approved the construction of 456 slum tenements and 132 MIG flats at Andipatti in Salem District at a cost of Rs 5.42 crore with loan from Housing and Urban Development Corporation Limited (HUDCO). While according administrative sanction, Government stipulated a condition that the Board should not approach Government for grant for the project.

The Board availed loan of Rs 4.98 crore from HUDCO and constructed 456 slum tenements at a cost of Rs 2.71 crore (May 1998) and 132 MIG flats at a cost of Rs 2.21 crore (August 1998). The Board allotted all the slum tenements on hire purchase basis at Rs 150 per month thereby incurring a loss of Rs 3.61 crore. The Board, however, fixed (August 1998) the price of MIG flats at Rs 901 per sq.ft without considering the loss on construction of slum tenements. As there was poor demand for the MIG flats the Board reduced (December 1999) the price to Rs 640 per sq.ft. on no profit – no loss basis against ruling market rate of Rs 550 to Rs 575 per Sq.ft. and approved (February 2000) the sale of flats under outright sale as well as hire purchase basis. As of March 2000, however, 11 MIG flats only were allotted and the Board had repaid Rs 1.37 crore towards principal and Rs 2.14 crore towards interest from its own funds to HUDCO.

(i) Audit noticed that the response for the Board's assessment for MIG flats in December 1993 was based on the price of Rs 539 per sq.ft. As Government had not accepted the proposal of the Board to meet the repayment of loan and interest from Government grant and the cost of the project had also increased subsequently, the Board should have re-calculated the price of MIG flats taking into account the loss on slum tenements and compared it with the market rate before taking up the construction of MIG flats.

(ii) The Board also fixed the price of MIG flats in August 1998 at a much higher level than the market rate by enhancing the land value based on guideline value instead of actual price to be paid to Government for the land. Based on actual expenditure, the selling price, even on no profit – no loss basis, would be Rs 547 per sq.ft as of August 1998 which itself was more than Rs 539 per sq.ft mentioned in demand assesement. When the Board reduced the price to Rs 640 per sq.ft after more than a year, the Board considered the interest payment made to HUDCO upto December 1999 which resulted in the price being still higher than the prevailing market rate.

Thus, the demand for the flats was poor due to their high price and the Board could not even realise the actual cost of construction. The scheme implemented under URP was therefore flawed in as much as no proper planning and assessment of demand was done. Resultantly, the Board was put to an estimated loss of Rs 3.61 crore on construction of slum tenements, to be met from its own funds.

When the matter was referred to Government (May 2000), it stated (July 2000) that the project was taken up due to overwhelming public response in December 1993 and it was expected that the remaining flats would be sold out shortly. Government contended that there would not be any loss to the Board as repayment of loan in respect of slum tenements would be met from budgetary support of Government. The reply was not tenable since the Board had not assessed the demand by including the loss on slum tenements in the price of MIG flats. Further, the Government had clearly ordered in March 1996 that the Board should not approach the Government for grant; therefore, the contention that repayment of loan in respect of slum tenements would be met from the budgetary support of Government was not tenable.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

6.13 Retention of the recovered loan outside Government account

Tamil Nadu Urban Finance and Infrastructure Development Corporation collected Rs 7.60 crore from Municipalities, etc., towards repayment of loan and retained it for over 3 years without remittance to Government Account.

The Municipal Administration and Water Supply Department nominated Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) from 1 April 1993 for collection of all loans given to Municipalities/Township committees and Town Panchayats towards schemes for water supply, sanitation etc., and allowed TUFIDCO to retain one *per cent* commission on collections. The amount due to be recovered from above bodies as on 1 April 1993 was Rs 87.75 crore towards principal and Rs 34.70 crore as overdue interest.

TUFIDCO started the collection from April 1994, but requested (December 1994) the Government to sanction the amount collected as grant to TUFIDCO to enlarge its equity base. It also requested the Government to allow it to retain the amount already collected and to be collected in future till the receipt of final orders from Government. Though the Government did not agree (September 1995) to the proposal and insisted on its remittance into Government account, TUFIDCO did not comply with Government orders. Government finally transferred the maintenance and the monitoring of recoveries of Government loans back to the Commissioner of Municipal Administration from 1 April 1998.

As reported (February 2000) by TUFIDCO, out of Rs 8.60 crore* collected from 1993-94 to July 1997, TUFIDCO remitted Rs 99.75 lakh to Government account during June 1994 to November 1995 and retained the balance of Rs 7.60 crore upto December 1997. This was remitted in instalments between January and September 1998. Rupees 6.75 crore collected subsequently during August 1997 to September 1998 was also remitted late to Government during April 1998 and September 1998.

* 1993-94: Rs 0.60 lakh; 1994-95: Rs 2.25 crore; 1995-96: Rs 2.40 crore ; 1996-97: Rs 3.08 crore; 1997-98: Rs 0.86 crore.

The retention of money outside Government account for periods ranging from one year to three years led to loss of Rs 56.68 lakh to Government by way of interest (calculated at 5 *per cent* per annum). TUFIDCO informed Audit (June/August 2000) that the sums collected were kept in short term deposits and utilised for making quarterly loan repayments to HUDCO, for which Government of Tamil Nadu was the guarantor. However, no specific orders from Government had been obtained by TUFIDCO in this regard and they had temporarily diverted the sums towards repayment of HUDCO loans.

The collections made by TUFIDCO were also not substantial and effective, as expected.

The matter was referred to Government in April 2000; Government generally accepted the facts in August 2000.

CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

6.14 Collection of revenue at high operational cost

Without studying the ground realities, the Board entrusted the work of collection of revenue to Canara Bank at a high cost of collection. Consequently, the Board forfeited Rs 2.07 crore during 1996-2000 as cost of collection for collecting revenue of Rs 4.17 crore.

Chennai Metropolitan Water Supply and Sewerage Board (Board) collected the revenue for providing water supply and sewerage services through Revenue Collectors and Area cash counters of the Board and five designated banks. In November 1995, National Productivity Council (NPC), engaged to suggest ways and means to improve the revenue collection system, recommended stoppage of collection through banks as the unmetered charges collected by banks accounted for only 5 *per cent* of total collection. The NPC also recommended opening of cash counters at Depot offices of the Board in addition to Area offices for improving the collections. The Board, however, decided to undertake the revenue collection from unmetered customers through the specified branches of Canara Bank, their main banker, with computer network. The Board agreed to the demands of the Canara Bank (June 1996) to maintain Rs 4 crore in current account, Rs 1 crore in term deposit and to reduce the rent for extension counter from Rs 20,600 to Rs 500 per month, for undertaking the collection work.

Canara Bank collected Rs 1.68 crore and Rs 1.04 crore during 1996-97 and 1997-98 through 26 branches. Because of the poor performance, the Board revised the terms of agreement in April 1998 and kept a minimum of Rs 2 crore in current account for the service rendered by them. During 1998-99 and 1999-2000, the Bank collected only Rs 75.96 lakh and Rs 69.23 lakh respectively, but the Board continued the arrangement. For collecting Rs 4.17 crore during 1996-2000, the Board forfeited revenue of Rs 2.07 crore towards loss of interest (Rs 2.02 crore) and loss of rent (Rs 0.05 crore).

The following observations were made:

(i) Though the revenue from unmetered charges constituted 27 *per cent* of the total revenue, the Board while analysing the cost-benefit in entrusting the collection work to the Bank assumed 75 *per cent* of total collection through Bank. Besides, the Board failed to consider that only 5 *per cent* of the total revenue was collected through 105 branches of 5 banks till 1995-96 and Canara Bank proposed to collect revenue only through 20 to 25 branches.

(ii) After entrusting the collection work to the Bank, the Board opened collection centres at Depot level, where collections were made through computers and the cost of collection worked out to only 6 *per cent* against 50 *per cent* incurred for collection through bank. The Finance Director, while assessing the performance of the Bank, recommended (November 1997) withdrawal of Rs 4 crore kept in current account and suggested that the Bank might be allowed 5 to 10 *per cent* collection charges. However, the Managing Director of the Board accepted the demand of the Bank for keeping Rs 2 crore in current account from April 1998.

Thus, the Board had not studied the realities and decided to collect revenue through Canara Bank at a high collection cost inspite of the recommendation of NPC to stop collection through banks. When pointed out, Government could not justify the high cost of collection incurred during 1996-98 but stated (August 2000) that there was no additional financial commitment to the Board as Rs 2 crore were to be kept in current account to meet the day to day activities. The reply was not tenable as the Board kept only a minimum of Rs 1 lakh to Rs 54 lakh in the current account during April 1995 to June 1996. Further, it became mandatory on the part of the Board to keep a minimum balance of Rs 2 crore from 1998-99 in spite of the downward trend in collection through bank.

6.15 Unnecessary deposit of funds resulting in loss of interest

Depositing Rs 9.24 crore with Public Works Department even before preparation of detailed estimates resulted in loss of interest of Rs 67.13 lakh.

Government accorded (August 1996) administrative approval for Rs 296 crore for augmenting the drinking water needs of Chennai city by constructing an Intake Tower at Chembarambakkam tank and treating and conveying the water to Porur. The Chennai Metropolitan Water Supply and Sewerage Board (Board), the implementing agency, decided (May 1997) to entrust the work of designing and constructing the Intake Tower to Public Works Department (PWD) as deposit work and requested PWD to prepare necessary estimates. The Board entered into an agreement (September 1997) with Housing and Urban Development Corporation Limited (HUDCO) for a loan of Rs 100 crore for the project excluding construction of treatment plant.

In order to avail the loan during 1997-98, the Chief Engineer, Water Resources Organisation, Chennai Region (CE) furnished a preliminary estimate. Based on the estimate, the Board without obtaining Government approval for executing the work through PWD, deposited Rs 9.24 crore in March 1998 from its own resources. The Board availed a loan of Rs 9 crore from HUDCO during April 1998 (Rs 5 crore) and April 1999 (Rs 4 crore). The technical sanctions for the various estimates were issued only from

September 1999. As of November 1999, tenders for the work had not been finalised. The Board paid Rs 1.45 crore as interest to HUDCO from its funds upto September 1999.

Scrutiny of the records of the Board disclosed that the deposit of Rs 9.24 crore was paid to PWD far in advance of requirement. The following was observed:

(i) The Board deposited the amount in March 1998 without any demand from PWD. Even the Government approval for entrusting the work to PWD was obtained only in November 1998.

(ii) According to codal provisions, the PWD should receive the gross estimated expenditure as advance before incurring any liability on the work. Since the technical sanction was issued only in September 1999, the Board could have deposited the amount in October 1999.

(iii) The schedule for drawal of loan from HUDCO was flexible. Hence there was no need to draw the loan from HUDCO without any visible requirement.

Thus, the Board not only made an unnecessary deposit of Rs 9.24 crore with PWD but also made unnecessary drawal of loan of Rs 9 crore. The unnecessary deposit to PWD in March 1998 resulted in blocking of Board's funds to the extent of Rs 5.69 crore* and loss of interest of Rs 67.13 lakh at 12 *per cent* per annum.

When the matter was referred to Government in April 2000, Government stated (September 2000) that the deposit was made for completion of work expeditiously by PWD. The contention of Government was not tenable as the Board obtained orders of Government for entrusting the work to PWD only in November 1998 and approved the detailed estimates for various components only from June 1999.

6.16 Extra expenditure due to the injudicious decision on purchase of Cast Iron pipes from firms located outside the State

The decision to purchase Cast Iron pipes from firms located outside the State resulted in payment of additional freight charges of Rs 65.63 lakh.

Chennai Metropolitan Water Supply and Sewerage Board (Board) purchased Cast Iron (CI) pipes of various diameters required for implementing various schemes by calling limited tenders from Director General of Supplies and Disposals (DGS&D) rate contract holders. The purchases were made mainly from M/s Electrosteel Castings Limited (ECL) which had factories both in Calcutta and near Chennai. It was seen that 100 millimeter (mm) diameter CI pipes were purchased from ECL, Calcutta as their Chennai factory did not manufacture CI pipes of this size.

During June and July 1997, ECL, Calcutta factory was closed down. Consequently, the supply of 100 mm pipes was delayed. ECL, Chennai factory commenced production of 100 mm pipes also in August 1997, and the entire

* Rs 4.24 crore from April 1998 to March 1999 and Rs 1.45 crore towards interest for the period from April 1998 to September 1999.

pending supplies were received by the Board during August to November 1997.

On the ground that pendency in supply of 100 mm pipes was mounting, the Board, in July 1997, took a policy decision to expand the prospective supplier base and place supply orders for CI pipes of various sizes equally on all firms who would participate in the tender, provided the basic rates conformed to DGS&D rates. The Board, however, decided (December 1997) to purchase two thirds of the quantity from the lowest tenderer viz. ECL, Chennai whose rates including freight charges worked out cheaper and the remaining one third from the tenderers whose rates including freight charges were higher. Consequently, the Board had incurred extra expenditure of Rs 65.63 lakh towards freight charges in respect of 23 supply orders placed between November 1997 and April 1999.

The decision to place a portion of the supply order for CI pipes even on tenderers whose rates including freight charges was higher, was not based on ground reality as discussed below:

(i) The Board purchased their entire requirement of CI pipes for various schemes at the initial stage itself. The Board informed (December 1999) Audit that the vendor rating of ECL was satisfactory and their performance was also satisfactory till June 1997 except for supply of 100 mm CI pipes. Adequate stock of 100 mm pipes was available in the inventory of the Board during April 1996 to June 1997 indicating works were not affected for want of pipes. To an audit query, the Board could not furnish the details of work affected which led to revision of the purchase policy.

(ii) In case of delay/non-supply the Board had the option of cancelling the order and blacklisting the supplier. No such action was taken by the Board.

When the matter was referred to Government in April 2000, Government stated (September 2000) that the decision to increase the supplier base at extra cost was taken to overcome the constraint faced due to delay in supply of materials by ECL, and to complete the projects in time. The reply was not tenable as Government had not furnished the details of works that suffered due to delay in supply of materials by ECL. On the contrary, it was verified in audit that adequate stock of 100 mm CI pipes was available in stores during the period indicating that works had not suffered for want of materials.

6.17 Avoidable expenditure on filling of low lying area with borrowed earth

Filling up the low lying area with borrowed earth in Mylapore-Nandanam Water Distribution Station site even though excavated earth from Transmission Main work was available at that time, resulted in avoidable expenditure of Rs 33.58 lakh.

Chennai Metropolitan Water Supply and Sewerage Board (Board) sanctioned (July 1997) the works of (i) laying Transmission Main (TM) for 6.33 kilometres (km) from Pallipattu take off point to Mylapore-Nandanam Water Distribution Station (Rs 11.72 crore) and (ii) construction of Water Distribution Station (WDS) for Mylapore-Nandanam zone (Rs 23.55 crore), under the World Bank-assisted 'Second Chennai Water Supply Project'. The works were entrusted to two contractors in November 1997 after calling tenders. While the TM work was commenced in January 1998, the WDS work was commenced in June 1998. The works were in progress as of December 1999.

Scrutiny of the estimates for the works disclosed that while the TM work provided for carting away 32,375 cubic metre (cu.m) of excavated earth consisting of all soils except rock requiring blasting etc. to a distance of 5 km., the WDS work provided for site development work which included filling of land to make the ground uniform, to prevent surface run off from outside and to provide adequate surface draining arrangement. The filling was proposed to be executed with 19,865 cu.m of sandy soil (40 *per cent* sand content) including consolidation. Since the filling work was taken up only to level the site for WDS, the provision of sandy soil was not necessary and the work could have been executed with the earth excavated in the TM work which was available within 5 km.

Records relating to the execution of these works revealed that 27,659 cu.m of earth was carted away at Rs 50 per cu.m in the TM work, whereas, 19,283 cu.m of sandy soil was filled up at Rs 180 per cu.m in the WDS work. Failure of the Board to utilise 19,283 cu.m of excavated earth for filling resulted in avoidable expenditure of Rs 33.58 lakh after allowing Rs 5.85 per cu.m for consolidation.

When pointed out, Government stated (August 2000) that utilisation of the excavated earth from TM work for WDS work was not contemplated as the excavated earth was to be carted away immediately on excavation which was done during night and hence synchronising of filling work in WDS and carting away excavated earth in TM work was not practicable. The contention of Government was not tenable as the excavated earth could have been deposited in WDS site and utilised as and when filling up work was executed at that site.

6.18 Extra expenditure due to non-adoption of prescribed specifications for bedding and backfilling the trenches and unnecessary payment of restoration charges to Highways Department

Non-adoption of prescribed specifications for bedding and backfilling the trenches and avoidable payment of road cut restoration charges to Highways Department in the work of laying transmission main from Porur to Kathipara junction resulted in extra expenditure of Rs 27.13 lakh.

Manual on 'Sewerage and Sewage Treatment' published by Central Public Health and Environmental Engineering Organisation and the Code of Practice for laying of welded steel pipes for water supply published by Indian Standards Institution prescribe the design for bedding for laying the pipes and backfilling the trenches. According to these designs the thickness for Class B granular type of bedding should be 0.25 times the outer diameter of the pipe below barrel and 0.50 times the outer diameter of the pipe above that level. Where the excavation for laying the pipe is made through pavements other than permanent construction, the trench should be filled up with excavated materials from the level, 30 cm above the top of the pipe. In addition, the service departments have to pay 'Road cut restoration charges' to the local bodies/Highways Department for restoring the road to its original condition.

Scrutiny of the records of Chennai Metropolitan Water Supply and Sewerage Board (Board) showed the following deviations from the prescribed design in laying of transmission main from Porur to Kathipara junction (6220 metres) with 1500 millimeter diameter Mild Steel pipes resulting in an extra expenditure of Rs 27.13 lakh.

(i) The total quantity of granular material required for the work for laying Class B type bedding was 19,491 cubic meter (cu.m.). The Board used river sand for bedding and sea sand for side filling in five other similar works under the same project. Adopting this norm, the requirement of river sand for bedding (0.41 m depth) and sea sand for side filling upto 30 cm above the pipe line (1.924 m depth) worked out to 5,576 cu.m. and 13,915 cu.m. respectively for this work. The remaining depth was to be backfilled with excavated earth of 7,083 cu.m. As against this, the Board had used 9,610 cu.m. of river sand and 16,966 cu.m. of sea sand and carted away the entire excavated earth of 40,610 cu.m. Non-adoption of the prescribed specifications resulted in an extra expenditure of Rs 13.50 lakh.

(ii) The Board paid Rs 45.34 lakh to the Highways Department as road cut restoration charges. The estimates based on which the charges were paid disclosed that the Highways Department had charged for gravel and earth filling including consolidation for a stretch of 2565 metres where the pipes were laid outside the boundary of the road. As this stretch had been filled up with excavated earth and consolidated by the Board, the payment for this item of work amounting to Rs 13.63 lakh to the Highways Department was not correct.

When the matter was referred to Government in April 2000, Government stated (June 2000) that the excavated earth was not suitable for backfilling as it contained small and fair sized boulders, murum, stones, etc. Further it could not be stacked for refilling since it would hamper the movement of machinery and pose traffic hindrance. Government reply was silent about payment of road cut restoration charges to Highways Department for the portion of the work executed outside the boundary of the road. The reply of the Government was not tenable as the earthwork excavation was carried out in all types of soils like black cotton soil, red earth and ordinary gravel, hard gravelly soils, mixture of gravel and soft disintegrated rock, etc. Further, as the excavation of trench was mainly at the extreme end of the berms outside the boundary of the road, stacking of 7,083 cu.m out of 40,610 cu.m. of excavated earth would not hamper movement of machinery and traffic as stated by the Government.

6.19 Avoidable expenditure due to adoption of higher specification in the construction of compound wall

The Board did not adopt economical design based on soil tests for the construction of compound wall around Water Distribution Station at Choolaimedu resulting in avoidable expenditure of Rs 25.07 lakh.

A storage reservoir at Choolaimedu, Chennai was constructed in January 2000 at a cost of Rs 22.52 crore by Chennai Metropolitan Water Supply and Sewerage Board (Board). The work included construction of compound wall at a cost of Rs 54.51 lakh on three sides of the Water Distribution Station (WDS) with Reinforced Cement Concrete (RCC) raft foundation and RCC wall, as designed by M/s Kirloskar Consultants Limited in October 1997.

It was seen that the soil mechanic who tested the soil recommended (July 1996) under-reamed pile foundation for the underground tank proposed to be constructed at the site. Further, the existing compound wall on one side of the WDS was constructed using Random Rubble (RR) masonry. Hence, the Board should have adopted under-reamed pile foundation with RR masonry wall for compound wall work. The consultant did not specify any reason for adopting the higher specification, which led to an avoidable extra expenditure of Rs 25.07 lakh.

When pointed out, the Superintending Engineer (Construction), Water Supply II (SE) stated in March 2000 that the work was executed as per the design recommended by the consultant and the compound wall was designed as a retaining wall to withstand the earth pressure to be encountered. He justified the design for the compound wall as a retaining structure stating that the Chennai Mofussil Bus Terminus constructed on the eastern side involved huge earthwork to a height of more than 2m thereby providing more force on the side of the compound wall and the RR masonry would not be suitable in a situation where earth was to be retained for more than 2m height. Government also stated (August 2000) that RCC wall was constructed based on site conditions.

The reply of the SE and Government for the construction of RCC wall on the eastern side where a Bus Terminus was under construction could be justified. The construction of RCC wall on Southern side where there is a link road and western side where sewage treatment plant of the Board is situated lacked any justification. The work, if executed with RR masonry with under-reamed pile foundation on these two sides, would have been completed at a total cost of Rs 29.44 lakh. Non-adoption of economical design for a portion of the compound wall resulted in an avoidable expenditure of Rs 25.07 lakh.

6.20 Extra expenditure on provision of higher specification for road works

Failure of the Board to follow Indian Roads Congress specifications for road works executed in Sewage Pumping Stations resulted in extra expenditure of Rs 14.40 lakh.

According to Indian Roads Congress (IRC) specifications, roads with traffic intensity upto 150 commercial vehicles per day having laden weight of 3 tonnes or more should be designed with minimum thickness of 100 millimetre (mm) sub-base, 150 mm base course with granular materials and premix carpet of 20 mm as top surface. IRC specifications also prohibit laying of Asphaltic Concrete (AC) on granular base or bituminous course other than Dense Bituminous Macadam. Besides, Ministry of Surface Transport (MOST) specifications stipulated that bituminous course like Bituminous Macadam (BM) was to be laid only on granular or black topped surface.

The Chennai Metropolitan Water Supply and Sewerage Board (Board) entrusted the construction of roads inside 12 Sewage Pumping Stations (SPS) to the lowest tenderer in January 1996 for a value of Rs 75.44 lakh. The roads were not subjected to heavy traffic since they were located inside the SPS. The estimates for the road work provided for 150 mm gravel soling and 100 mm sand gravel mix as sub-base over which 50 mm thick BM and 40 mm thick AC were to be laid. Roads had been constructed (December 1999) in 5

SPS at a cost of Rs 17.47 lakh and road work in respect of the remaining 7 SPS had not been taken up as of June 2000.

Laying of BM without any granular layer and AC over BM were contrary to specifications of IRC and MOST. As such the roads should have been laid with 100 mm gravel soling and 100 mm sand gravel mix as sub-base and 150 mm thick Water Bound Macadam as base course with premix carpet of 20 mm.

Thus, the Board had not only failed to observe the IRC specifications for the formation of roads but also used higher specifications without any technical consideration. The provision of higher specification resulted in extra expenditure of Rs 14.40 lakh.

When pointed out, Government stated (September 2000) that IRC specifications quoted by Audit were applicable only for formation of road on existing roads and the design was adopted taking into account the site conditions. The reply was not tenable as the IRC specifications quoted related to new formation of roads and thickness of road derived by the Board based on site condition had been taken into consideration by Audit.

6.21 Overpayment to contractor by wrong application of agreement conditions

Failure to delete a clause for payment for additional quantities of work in the agreement resulted in overpayment of Rs 11.98 lakh.

Chennai Metropolitan Water Supply and Sewerage Board (Board) invited sealed tenders in July 1991, for the work "Clear Water Transmission Main from Redhills to Porur Head Works – Reach III". According to Clause 6 of Volume II of the bid documents, the item rates quoted should remain firm and valid for any variations in the quantities of items of work. Contrary to this stipulation, Clause 28 of Volume I of the bid documents provided for revision of rate for items if the quantities of works actually executed were more than the estimated quantity. The rate for the quantity over and above 15 *per cent* of estimated quantity was to be fixed as per Board's norms.

During the pre-bid conference (August 1991), the Board clarified that Clause 28 was deleted and payment for extra quantities would be governed by Clause 6. Thus, the contractor was not eligible for increased rate even if he had to execute additional quantity of more than 15 *per cent* for any item of work. The Board while issuing 'Addendum' indicating modifications to certain clauses of bid documents failed to delete clause 28. However, there was a specific mention about deletion of clause 28 in the 'Annexure' detailing the clarifications given in the pre-bid conference. The Board sent both the Addendum and Annexure to the prospective bidders.

The work was awarded (March 1993) to the lowest tendered firm 'M/s. Aban Constructions' who certified that they had considered both Addendum and Annexure while quoting their rates. The work was completed in September 1996. While making the payment, the Officer on Special Duty revised the rates for six items in which the actual quantity exceeded more than 15 *per cent* of estimated quantity. When the excess payment of Rs 11.98 lakh under Clause 28 was objected to by Audit, Government stated (April 2000) that any modification of the bidding documents which might become necessary as a result of the pre-bid meeting should be issued exclusively through Addendum and not through the minutes of the pre-bid meeting. The payment was, therefore, made as per agreement as the Addendum to the bid documents did not indicate the deletion of Clause 28. Regarding non-deletion of Clause 28 in the Addendum, Government stated that the Committee which finalised the Addendum and Annexure to bid documents would have decided not to delete Clause 28 during their discussion.

The reply of the Government was not tenable since no justification was given by the Committee to retain Clause 28 and therefore the deletion of the same should have been indicated in the Addendum, which alone was binding. Besides, the firm also confirmed that the Annexure to the bid document, which stated that Clause 28 was deleted, was also considered while quoting rates. Thus, the failure of the Committee of the Board to delete Clause 28 in the Addendum, although it was stated clearly in the pre-bid conference that it was deleted, resulted in overpayment of Rs 11.98 lakh to the firm.

COLACHEL MUNICIPALITY

6.22 Failure of water supply scheme

Failure to re-appraise the water supply position and unchecked sand quarrying led to non-achievement of the objective of water supply scheme to Colachel Municipality executed at a cost of Rs 174.33 lakh.

The Government sanctioned (December 1994) water supply improvement scheme to Colachel Municipality of Kanyakumari District at an estimated cost of Rs 171.65 lakh[@]. The water supply to Colachel Municipality was an extension of Combined Water Supply scheme to 8 Town Panchayats and 11 wayside villages. The source of water was Kuzhithuraiyar river. The scheme was targeted to supply 26.60 lakh litres of water daily. The works consisting of the extension of clear water conveying main and branch conveying main to the existing reservoirs, construction of two additional service reservoirs and laying of additional distribution system were completed by Tamil Nadu Water Supply and Drainage (TWAD) Board, at a total cost of Rs 174.33 lakh. The main works and a part of distribution system were taken over by the Municipality in July 1999 and the remaining distribution system taken over in April 2000.

Although the Commissioner, Colachel Municipality requested (January 2000) TWAD Board Sub-division, Tirunelveli to supply 7 lakh litres of water daily (as against the targeted supply of 26.60 lakh litres), water supply had not been effected as of May 2000.

The Executive Engineer, TWAD Board stated (May 2000) that water supplied to other areas was already inadequate and it would not be possible for the Board to supply water to Colachel Municipality; the yield from the infiltration

[@] Proportional cost of Kuzhithuraiyar Combined Water Supply Scheme to be borne by the Municipality (Rs 89 lakh) and balance towards installation within the Municipality (Rs 82.65 lakh).

wells was found to be less due to illegal sand removal around the wells and one of the wells had already collapsed. He had further stated that frequent power-cuts affected continuous pumping.

When it came to the notice of Colachel Municipality in October 1996 that targeted water supply could not be effected to Town Panchayats and villages in the vicinity of Colachel inspite of completion of the Combined Water Supply Scheme in August 1993 it did not take any action to re-evaluate the scheme for finding out alternate source of water.

When the matter was referred to Government in July 2000, the Government, accepting the facts, stated (December 2000) that there was no fault on the Colachel Municipality as in the absence of any other reliable source it had no other alternative but to depend on Combined Water Supply Scheme. However, the fact remains that under these circumstances, Colachel Municipality being aware of the remote possibility of water supply due to the reasons discussed above, could have stopped the works relating to the Municipality thereby avoiding a huge expenditure of Rs 174.33 lakh which has remained unfruitful

CORPORATION OF CHENNAI

6.23 Computerised general revision of property tax by the Corporation of Chennai

A Introduction

The Corporation of Chennai decided on a general revision of property tax with effect from October 1998. For this purpose, all assessees in the city were required to furnish details of their property and the tax paid. Based on this information and with reference to the details with the Corporation, the revised tax was calculated and tax notices served. Out of the total number of 4.45 lakh assessees, revision was completed for 3.73 lakh assessees (April 2000). Revision was in progress for the rest of the cases.

Assessment of the revised tax as per Corporation's guidelines was entrusted to an external agency. This agency was in-charge of developing the application software, capturing of data from the assessees' returns, computation of the revised property tax and printing the tax notices. The computers, peripherals and infrastructure required were supplied by the Corporation.

B Revision of Tax

The rental value and the annual value (AV) of a property form the basis for the calculation of property tax. The rental value is a percentage of the depreciated value of a property depending on its usage. The AV is derived from the rental value after allowing a discount of 10 *per cent* towards maintenance. The half-yearly property tax is a percentage of the AV of the property (Appendix XLIV). The revised AV was based on the existing AV of the property and changes in the area/utilisation of the Building as detailed in Appendix XLIV.

C *Observations of Audit*

All data relating to 3.73 lakh assessees for whom revision was effected were examined in detail, selecting appropriate samples for each examination and adopting Computer-aided Audit Techniques. Most of the under-assessments were due to errors in the application software and deficient data.

6.23.1 Error in updating the existing AV in cases with changes in both extent of property and usage

Non-adoption of change in usage while calculating revised Annual value resulted in under assessment of property tax.

In cases where properties had an increase in extent and a change in usage attracting higher tax, the new AV was to be calculated taking into account both these changes. The AV for the existing area and increased area were calculated separately. While calculating the AV for the existing area, the corresponding usage was correctly applied by the system. However, while calculating the AV for the increased area, instead of the new usage as declared by the assessee the existing usage was wrongly applied by the system.

It was observed that 96,490 cases involved increase in area and change in usage attracting higher tax. From these, 1,774 cases involving a half yearly tax in excess of Rs 1000 were taken up for detailed examination. There was an under-assessment of property tax in all these cases amounting to Rs 29.69 lakh per half-year. The aggregate loss for the period from October 1998 to March 2000 in respect of 1,774 cases was Rs 89.07 lakh.

Government replied (October 2000) that revised notices were issued in respect of the 1,774 cases pointed out by Audit. However, as the 1,774 cases were only a sample, action is due in respect of all the 96,490 cases.

6.23.2 Incomplete data and inaccuracy in application software - under-assessment of property tax

Under-assessment of tax due to incomplete link file resulting in failure to take the earlier data into consideration.

A data file (stat.dbf) provided the link between the current files and files relating to the previous revision. In 2,382 cases, the linkage could not be achieved, as the data in the link file was incomplete. With regard to these cases, property tax was calculated from data pertaining to previous revision by Audit using its own programme. Comparing the property tax calculated by Audit with that calculated by the Corporation it was noticed that in 470 cases there was under-assessment of tax amounting to Rs 21.08 lakh for one half year. The aggregate loss for three half-years up to March 2000 worked out to Rs 63.24 lakh. The loss is recurring in nature.

In respect of another 50,492 cases, data relating to previous revision like extent of buildings and their usage were not available in the computer system. Under-assessment of tax of similar proportion in all these cases was quite likely.

It is seen from Government's reply (October 2000) that rectificatory action is not complete in respect of all the 50,492 cases.

6.23.3 Under-assessment of tax due to error in the Application Software

Error in the application software resulting in non-linking of pre - revised data.

In 1950 cases, it was found that even though data was complete in the link file, data relating to previous revision was not linked due to an error in the application software. As a result the AV could not be updated with the current status of area and occupation for purposes of the current revision. This error resulted in short-assessment of property tax to the tune of Rs 32.62 lakh. The aggregate loss on this account for the last completed three half years ending with March 2000, worked out to Rs 97.86 lakh. Though the error in software had been corrected at a later date, the short assessments made till then remained uncorrected, resulting in a recurring loss.

The Government has accepted (October 2000) the short collection. However the process of rectification is still incomplete.

6.23.4 Lack of data security - under-assessment of tax

Lack of data security resulted in unauthorised correction of data.

The application software was developed in FoxPro by the external agency doing the revision and the entire data was totally at their disposal. Unlike RDBMS packages like Oracle having elaborate provisions for restricting unauthorised access to the data, FoxPro package used by the Corporation offered unrestricted access to its databases even at the level of data entry operator, rendering the data insecure and susceptible to unauthorised changes. Audit checks disclosed that the AV and tax available in the data differed from the AV and the tax computed by the software. This could not be attributed to any error in software, as the AV and tax were found correct in other cases. The variation could be due to manual modification of data to reduce the tax. Of the total revisions made, cases where the revised AV was more than Rs 5000 were test checked. Of these 2500 cases, there was short assessment in 154 cases. The resultant short levy of tax was Rs 16.46 lakh per half-year aggregating Rs 49.38 lakh for the three half-yearly periods ending with March 2000. No provision has been made in the overall system to guard against such unauthorised manipulation of data.

The Government stated (October 2000) that the under-assessment was rectified in respect of 203 cases but the security risk has not yet been addressed.

6.23.5 Under-assessment of tax due to incorrect splitting of the existing AV

Under-assessment of tax due to incorrect splitting of AV without taking into consideration areas under different usage.

For the present revision, areas under different usage/occupation attracted increases at different percentages. For this purpose the earlier AV had to be split according to areas under different usage. However, due to an error in the application software, the previous AV was split up based on areas alone without reference to usage. Such incorrect splitting had the effect of allocating lower values to portions of buildings attracting higher rates of increase and vice versa. It was observed that in 91,212 cases, the properties involved multiple usage. A test-check of 212 cases involving only two different types of usage disclosed under-assessment of Rs 7.02 lakh for the three half-yearly periods from October 1998 to March 2000. Such under-assessments are possible in all the 91,212 cases involving properties with multiple usage.

Government's reply that the splitting up of the combined AV was not possible is not acceptable, as Audit was able to split the AV correctly and calculate the correct tax.

6.23.6 Incorrect application of minimum depreciation resulting in under-assessment of tax

Short computation of FR due to excess allowance of depreciation for 10 years instead of at 10 *per cent*.

Depreciation is one of the factors affecting the value of fair rent (FR). Buildings with different types of construction had different rates of depreciation at 1 *per cent*, 1.5 *per cent* and 2 *per cent* per annum. However, the overall minimum depreciation was to be maintained at 10 *per cent* of the property value. But the computer was incorrectly programmed to provide a minimum depreciation for 10 years instead of at 10 *per cent*. Thus, in cases where 10 years depreciation worked out to more than 10 *per cent* of the property value, excess depreciation was allowed incorrectly reducing the value of FR. On a sample study of about one lakh cases, it was seen that the FR was incorrect in 55,733 cases. The lower value of the FR will affect the property tax, only in cases where the AV was in excess of the FR and had to be limited to the FR. Thus, in all the 152 cases where the AV had to be limited to the FR, there was a short assessment of tax involving a loss of Rs 0.62 lakh for the three half yearly periods from October 1998 to March 2000.

The 152 cases stated by Government (October 2000) to have been rectified relate to a sample of one lakh cases alone. Action is not complete since the entire assessees have not been reviewed.

6.23.7 Incorrect classification of buildings - undue reduction in property tax

Under-assessment of tax due to acceptance of incorrect declaration by the assessees.

A general check of buildings having an area of over 10,000 square feet disclosed that several large buildings which were declared to be in commercial use in the last assessment of tax have been declared to be in residential use for the current General Revision. This change has brought about a substantial reduction in the rate of tax paid by them. The declaration that these buildings located in commercial areas, owned by companies and in commercial use in the last revision, are now in complete residential use raises a doubt.

To cite a specific example, the 1,23,725 sq. ft building at No 3, Sardar Patel Road, housing 'Ramco Industries' was known to be utilised for commercial purpose. This property paying a half-yearly tax of Rs 4.84 lakh in the previous assessment as a "Commercial Owner" category was assessed for a tax of Rs 1.06 lakh for "Residential occupation by the owner" in the current revision. In spite of such changes in the utilisation being unlikely, the Corporation has accepted the declaration by the assessees and reduced the tax substantially without an independent check of the correctness of the facts. Government has accepted the observation (October 2000) and promised rectificatory action.

6.23.8 Conclusion

Audit found that the system lacked data security. In addition, deficiencies in the system that led to underassessment of tax were (a) the erroneous application programme (b) a deficient database (c) accepting the declaration of the assessee without any independent counter check (d) implementation of the application programme developed by the contractor without a proper acceptance test and (e) non-availability of a provision for validation of the final output of the system i.e., the assessment of property tax. The resulting under-assessment of tax was of the order of Rs 3.18 crore for three half years ending 31 March 2000 in respect of the samples taken up for audit. The overall implication of the recurring revenue loss pointed out would be of the order of several crores of rupees. Further, correcting all the incorrect assessments and reissuing notices to the assessees will tantamount to doing a major portion of the exercise of general revision all over again, involving substantial expenditure.

6.24 Profession tax not levied

Failure to enumerate comprehensively the dealers registered under TNGST Act and the holders of permits for transport vehicles resulted in loss of revenue of Rs 19.71 crore to Corporation of Chennai during 1992 to 1998.

The Tamil Nadu Tax on Professions, Trades, Callings and Employments Act, 1992 (Act) requires that every local authority shall levy and collect a tax on profession, trade, calling and employment (PT). Every company which transacts business within the limits of any local authority and every person who is engaged in any profession, trade, calling or employment shall pay the tax levied at rates prescribed by the local authority.

In respect of dealers registered under Tamil Nadu General Sales Tax Act, 1959 (TNGST), the specified minimum rates of PT ranged from Rs 60 to Rs 840 per half-year depending on the value of turnover of the dealer. Though as per the Act, PT has to be collected from all the dealers registered under TNGST, a scrutiny of records in the Corporation of Chennai and the relevant details on traders registered under TNGST available with Commercial Taxes Department, revealed that there was gross omission in enumeration of all the registered dealers. The information collected from the Assistant Director (Statistics), Commercial Taxes Department for the period 1995-96 to 1997-98 revealed that the number of dealers enrolled for collection of PT ranged from 7 to 9 *per cent* of the total registered dealers and the non-levy of PT led to loss of revenue to the Corporation which was of the order of Rs 13.80 crore as given in the following table.

Year	Total number of registered dealers	Total number of assesses under PT	Number omitted to be assessed	Amount of PT omitted to be levied (Rupees in crore)
1995-96	70482[a]	6029[b]	64453	4.08
1996-97	73571	6029	67542	4.19
1997-98	84462	6029	78433	5.53
			Total	**13.80**

Profession Tax has also to be levied and collected from holders of permits for transport vehicles granted under the Motor Vehicle Tax Act 1988. The

a Adjusted by reducing 25 *per cent* of Chennai (South) Division as one of the four zones was Chengalpattu, which was outside the jurisdiction of Corporation.

b Figures furnished by Corporation on "Private Establishments" and "Individuals" assessed for PT for the year 1998-99 adopted.

minimum rate of tax to be levied ranged from Rs 50 to Rs 720 according to the type of vehicle and number of vehicles owned by the holder of the permits. Scrutiny of the details of transport permits issued by the Regional Transport Commissioner and records on PT assessment made available by Corporation of Chennai revealed that no PT was being levied and collected from the holders of such permits. The tax thus remaining uncollected during the period from the date of introduction of the Act (1 April 1992) to September 1998 amounted to Rs 5.91 crore (estimated at the minimum rate of tax assuming that a holder of permit owns 5 vehicles) as mentioned in the following table.

Category	Number of vehicles during April 1992 to September 1998	Number of permit holders assessable (assuming 5 vehicles per holder)	PT not levied (Rupees in crore)
Auto Rickshaws	168114	33623	0.60
Taxi	3127	625	0.02
Motor Cars	40734	8146	0.74
Trucks, Lorries	173287	34657	4.55
		Total	**5.91**

Commissioner, Corporation of Chennai attributed (July 2000) the non-collection to lack of legal provisions to take action against the defaulters, but added that action was being taken to enrol all the eligible assessees and collect arrears from 1992 onwards. It was observed in this regard that provisions exist in the Act for imposing penalty on persons failing to pay the tax within the required time.

Thus, due to the failure of the Corporation of Chennai to have an effective system of enumeration and inspection of assessable registered dealers under TNGST and holders of permits for transport vehicles, a large portion of registered dealers and entire population of transport permit holders remained unassessed, leading to huge loss of revenue to the tune of Rs 19.71 crore to the Corporation of Chennai.

On the matter being referred (June 2000), Government in its reply (October 2000) stated that 20 traders'/professionals' organisations had filed cases in the High Court which were dismissed only in 1999-2000. Thereafter, present list of TNGST registration holders had been obtained and notices were being sent to all traders, professionals, transport conductors who had not been enrolled so far. As of 1 October 2000, 18684 individual traders and private establishments had been enrolled as assessees. However, Government reply is not tenable in view of the fact that the stay orders obtained were applicable only to the respective petitioners. The number assessed to profession tax even as of October 2000 was still far below the number of dealers registered under TNGST.

6.25 Unfruitful expenditure in the construction of shopping complex due to non-allotment of shops

Non-execution of agreement with traders regarding allotment of shops before taking up the construction work resulted in the shopping complex constructed at a cost of Rs 7.19 crore in 1992 remaining idle besides loss of revenue of Rs 8.89 crore.

In order to rehabilitate 857 shopkeepers (527 permanent shop keepers and 330 encroachers) of erstwhile Moore Market Complex which was destroyed in a fire accident in May 1985, Government of Tamil Nadu in September 1985 sanctioned a scheme for construction by Corporation of Chennai of a multistoreyed shopping complex in the same area *viz.* 'Lily Pond' at an estimated cost of Rs 5.93 crore. A sum of Rs 3.15 crore was released as loan by Government of Tamil Nadu during 1985-88 and a loan of Rs 3.10 crore was financed by Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited. The construction of the new Shopping Complex was completed in July 1992 at a cost of Rs 7.19 crore with four storeys consisting of 859 shops of varying floor areas.

As the Government of Tamil Nadu did not issue any guidelines for fixing rate of rent, the Special Officer, Corporation of Chennai framed norms for allotment and fixed rates of rent in April 1992 based on 14 *per cent* return on investment. Offer of allotment was made (April 1992) to 309 permanent shopkeepers. Erstwhile shop owners of Moore Market Complex filed writ petitions in July 1992 against the method of allotment and the rent fixed. The High Court while disposing of petitions in November 1992 ordered appointment of a two member Committee for allotment of shops to erstwhile Moore Market shopkeepers and found that the rent fixed by the Corporation was fair and correct. Based on High Court orders, allotment letters were issued (August 1994) to 527 traders, demanding 10 months rent as deposit and one month's rent as advance. This was subsequently revised in October 1995 demanding only 6 months security deposit and the rent was also reduced. Only 200 out of 527 allottees had paid security deposit amount in November 1995 but they did not occupy the shops, as of May 2000. After notices were served in March/June 1996 another 283 allotees paid the security deposit. The Corporation of Chennai stated (July 2000) that in respect of remaining 44 shops though they were being auctioned in public every month since August 1998, there was no response.

In order to rehabilitate 330 encroachers, the Corporation finally selected 298 encroachers as of July 2000 for allotment of shops but the allotment was still pending.

As the 'Lily Pond' Shopping Complex was constructed exclusively to rehabilitate 857 shop-keepers of erstwhile Moore Market Complex, the Corporation should have entered into an agreement with the shop-keepers to fix the rate of rent and other conditions before commencement of construction. This was not done and the rent fixed after construction was not acceptable to the shop-keepers. Though the High Court in November 1992 observed that the rent fixed by the Corporation was fair and correct, the Corporation reduced the rates of rent further. Despite this, 859 shops* were lying vacant as of June 2000. Rent forgone for the period from August 1992 to June 2000 was Rs 8.89 crore. In addition, the investment of Rs 7.19 crore in the building remained blocked.

* Inclusive of 2 shops meant for Office and Shop-keepers Association.

The matter was referred to Government in May 2000. The Government in their reply (October 2000) generally accepted the facts and stated that 30 shops only had opened for business.

6.26 Non-levying of advertisement tax

Absence of a proper system for inspection of the advertisements made in the hoardings erected in Railway properties resulted in non-levy of Rs 47.22 lakh towards advertisement tax during 1994-95 to 1999-2000.

As per section 129A of Madras City Municipal Corporation Act 1919, Corporation of Chennai shall levy on every person who displays any advertisement to public view in any manner whatsoever in any place, whether public or private, a tax on advertisements. It further provided that no such tax shall be levied on any advertisement exhibited within any Railway station, except for the portions of the surface of such wall or property fronting any street. The applicable rate was Rs 3 per square feet for important roads; in respect of places like Railway stations, an additional amount of 10 *per cent* was to be collected.

Thus, all advertisements displayed on the hoardings erected in Railway land and fronting any street are liable to be taxed. However, the Corporation of Chennai did not have a proper system whereby the hoardings in railway property are continuously inspected and tax levied on advertisement made in such hoardings. Audit observed from the particulars made available (February 2000) by the Divisional Railway Manager, Southern Railway to the Corporation that there were 173 such hoardings which were not enumerated for collection of advertisement tax. An amount of Rs 47.22 lakh due as advertisement tax on such hoardings for the period 1994-2000 had not been realised by the Corporation (May 2000).

The matter was referred to Government in May 2000; Government concurred (September 2000) with the views of Audit and stated that with the available particulars, demand had been raised by the Corporation for a sum of Rs 9.32 lakh from some advertising agencies.

6.27 Under-assessment of property tax of petrol bunks

Corporation of Chennai omitted to reckon the underground structures in 56 petrol bunks for assessing the annual value while computing property tax. This resulted in under-assessment of Rs 29.97 lakh during the three half years ending with 1999-2000.

The Madras City Municipal Corporation Act, 1919, (MCMC Act) provides for levying property tax at a percentage of the annual value of buildings and lands as may be fixed by the Council. Property tax was leviable for every half year at 11.95 *per cent* of annual value of buildings and land. All buildings together with the site and other adjacent premises occupied as appurtenances thereto were to be assessed to property tax. According to Section 3 of the MCMC Act 'building' includes any structure used for human habitation or for keeping or storing any article or goods.

Scrutiny of records relating to assessment of property tax by Corporation of Chennai in respect of 56 petrol bunks revealed that the Corporation took into account only the building above ground and vacant land for arriving at the annual value. The underground structure with the steel tanks used for storing petrol/diesel was not assessed.

Taking into account the minimum size of storage tank (and the market value of steel tanks after providing for depreciation depending on the age of the building) under-assessment of property tax for the 56 bunks worked out to a minimum of Rs 29.97 lakh during the three half-years ending with March 2000.

Government stated in August 2000 that any underground structure which lacks proper ingress and access to persons is not assessable to property tax and hence there was no under-assessment. However, the reply was not acceptable as it contradicted the very definition of building given in section 3 of the MCMC Act according to which a building includes, among other things, any structure used for keeping or storing any articles or goods.

CORPORATION OF COIMBATORE

6.28 Avoidable expenditure on a service reservoir

Defective construction of Multi-purpose Service Reservoir in 1984 resulted in avoidable expenditure of Rs 1.09 crore to Coimbatore Corporation on a new reservoir.

In order to provide adequate water supply to the increasing population of Town Hall area in Coimbatore, Government of Tamil Nadu (GTN) constructed a Multi-purpose Service Reservoir (MPSR) of 16 lakh litres capacity inside Coimbatore Corporation Office Complex at a cost of Rs 15.74 lakh in March 1984.

The MPSR consisted of a ground floor to be used for parking vehicles, two floors for office accommodation and a Service Reservoir of 16 lakh litres capacity at the top floor. The Service Reservoir could not be put to use due to defect in main and subsidiary beams supporting the tank in top floor.

The Chief Engineer (Buildings), Chennai (CE) observed (June 1992) that (i) the distribution steel provided in the base slab near the water face was inadequate and (ii) the shear reinforcement provided in the floor beam of the tank was also not adequate. Corporation Council resolved (August 1992) to convert the tank portion as office accommodation at an estimated cost of Rs 8.40 lakh and the cost was to be borne by Tamil Nadu Water Supply and Drainage (TWAD) Board. TWAD Board Special Urban Division, Coimbatore, however, in May 1998 insisted that cost of conversion should be borne by Corporation, as the technical defects occurred only after completion of the work. As a result, the conversion work had not started as of March 2000.

In the meantime, a new Service Reservoir of same capacity (16 lakh litres) inside Coimbatore Corporation Office Complex was taken up for construction by TWAD Board in March 1997 and completed in May 1999 at a cost of

Rs 1.09 crore as one of the packages of Pillur Water supply Scheme. It was commissioned in June 1999.

Thus, non-adoption of proper design for the tank by the Executive Engineer, TWAD Board, Special Urban Division, Coimbatore, lack of proper supervision during construction and defective construction of the tank in 1984 resulted in additional expenditure of Rs 1.09 crore to the Corporation of Coimbatore on construction of a new service reservoir.

The matter was referred to Government in April 2000; reply had not been received (February 2001).

6.29 Delay in revision of property tax resulted in deferment of revenue collection

There was avoidable delay of 4 years in assessing the property tax amounting to Rs 37.05 lakh in a case by the Corporation of Coimbatore.

The Commissioner, Corporation of Coimbatore revised the annual rental value of a cinema theatre complex for the purpose of property tax from Rs 0.89 lakh to Rs 4.44 lakh and enhanced the tax liability from Rs 0.01 lakh to Rs 0.55 lakh per half-year to be effective from 1 October 1981. The owner of the property disputed the assessment. Between January 1984 and February 1996, the correctness of the assessment was under litigation in Taxation Appeals Committee of the Corporation, the District Court, High Court and the Supreme Court. Finally in February 1996, the Supreme Court disposed the case by which the Commissioner was free to proceed with the assessment and revision of property tax.

As per the order of the High Court (September 1995), the revision order was to contain the detailed break up of assessment of the value of the site, value of investments on buildings, electrical equipment, sanitary facilities, stores and stock, etc. Records made available to Audit did not indicate the basis on which the revision of Rs 0.55 lakh per half-year was arrived at. The Coimbatore City Municipal Corporation Act, 1981 empowered the Commissioner for ascertaining details of cost of erecting building, measurement of land and other details he requires within a period of 30 days, by issue of notice. The Act also empowered the Commissioner to enter, inspect and survey any premises after giving 24 hours notice. Despite these provisions, the Corporation was pursuing with (November 1997 to September 1999) the theatre management itself, for furnishing details of investment on buildings, land and other amenities. In September 1999, the theatre management furnished copies of sale deed of the site and requested that 25 *per cent* of the value of the buildings may be taken as value of amenities on the plea that vouchers and other details were not available due to efflux of time.

The Assistant Executive Engineer (South) (AEE) of the Corporation who was entrusted with the duty to assess the value of the property submitted a report in March 1999 without detailed break-up and another report in September 1999 in which the annual rental value was assessed as Rs 23.56 lakh. The valuation of property made by the AEE was found to be incorrect by the Commissioner. The entire premises was inspected by the Commissioner along with the Assistant Commissioner of the Corporation in March 2000 and based on actual measurement, the value of the building was assessed adopting the Public Works Department's schedule of rates prevailing in 1981. The revised annual rental value worked out to Rs 3.26 lakh and property tax payable per half-year with effect from 1 October 1981 was revised to Rs 0.41 lakh. Based on the revised assessment made by the Commissioner, demand for arrears of property tax for the period 1 October 1981 to 31 March 2000 amounting to Rs 37.05 lakh was raised in May 2000. The theatre management filed a petition in the Supreme Court disputing this assessment and after remitting of 50 *per cent* of the demand (Rs 18.52 lakh) as court deposit, obtained stay orders against the assessment in June 2000.

Thus, despite having won its case in the Supreme Court for assessment of property tax at Rs 0.55 lakh per half-year, the Corporation could not sustain it for want of basic data. From November 1997 to September 1999, the Corporation pursued with the theatre management for ascertaining the data without exercising its powers for ascertaining the same within a month's time and ultimately revised the tax demand downward from Rs 0.55 lakh to Rs 0.41 lakh per half-year with effect from 1 October 1981 (and correspondingly subsequent revisions applicable). Failure of the Corporation to assess the property tax correctly resulted in avoidable delay of 4 years (March 1996 to March 2000) in assessing the property tax besides non-realisation of revenue of Rs 37.05 lakh.

Government generally accepted the facts and stated (November 2000) that referring the case to the Standing Counsel for verification and further action to reassess the building after the Supreme Court orders had caused the avoidable delay.

RURAL DEVELOPMENT DEPARTMENT

6.30 Members of Parliament Local Area Development Scheme

6.30.1 Introduction

Members of Parliament Local Area Development (MPLAD) Scheme was launched during 1993-94. Under the scheme, each Member of Parliament (MP) has the choice of suggesting to the District Collector, works to the tune of Rs 1 crore per year (Rs 2 crore from 1998-99) to be taken up in his/her constituency. Elected members of Rajya Sabha were allowed to select works for implementation in one or more districts from the State from which they were elected. Nominated members of Lok Sabha and Rajya Sabha were allowed to select works for implementation in one or more districts in any one State of their choice. Under the scheme, MPs were to suggest individual work costing not more than Rs 10 lakh. Amounts higher than Rs 10 lakh per work can be spent depending upon the nature of the work. The works to be taken up under the scheme were to be of developmental nature based on locally-felt needs with the emphasis on creation of durable assets. Funds provided under the Scheme were not to be used for incurring revenue expenditure. A review of the implementation of the scheme during 1997-98 to 1999-2000 was undertaken during May 2000 to July 2000 in the Department of Rural Development, Directorate of Rural Development, Corporation of Chennai and District Rural Development Agencies* (DRDAs) covering 16 Lok Sabha

* Coimbatore, Cuddalore, Nagapattinam, Salem, Tirunelveli, Vellore and Virudhunagar.

Constituencies and the areas selected by 7 Rajya Sabha members. The records of implementing agencies (Panchayat Union, Town Panchayat, Public Works Department, Highways Department, Transport Corporation) in the above districts were also examined.

6.30.2 Financial performance

Scheme funds of Rs 15.70 crore relating to 23 constituencies were lying unutilised as of March 2000. Unutilised scheme funds include Rs 5.66 crore which were not transferred from the accounts of former Rajya Sabha/Lok Sabha/nominated Members of Parliament.

The funds for the Scheme were released by Government of India (GOI) directly to the DRDAs and the Chairman of DRDA was the District Collector. The funds released to the DRDAs were required to be deposited in a separate savings bank account for each MP in Nationalised Banks. As per the information furnished by the Director of Rural Development, Rs 240.50 crore were released by GOI during 1997-98 to 1999-2000 and an expenditure of Rs 169.95 crore was incurred during the same period. The details of opening balance as on 1 April 1997, interest earned and unspent balance for the period 1997-98 to 1999-2000 and the aggregate closing balance as on 31 March 2000 in the accounts of all the MPs of the State were not available with the Director of Rural Development. It was, however, observed that in 23 Constituencies test-checked the closing balance at the end of the financial year (1997-98: Rs 12.72 crore, 1998-99: 10.49 crore, 1999-2000: Rs 15.70 crore) was very heavy. It was stated by concerned DRDAs during May 2000 and June 2000 that the amount released could not be spent due to belated receipt of funds from GOI or works sanctioned not taken up due to delay in finalisation of sites and contractors. Audit, however, noticed that the unspent balances of Rs 5.66 crore in the accounts of erstwhile members of Rajya Sabha, elected and nominated members of Lok Sabha were not transferred to the accounts of newly elected/nominated members of Rajya Sabha and Lok Sabha and the funds remained unutilised for 4 years.

Instances of mismanagement of scheme funds include keeping of funds in Savings Bank/ Current/Local Fund/ Personal Deposit accounts, diversion to other schemes , non-furnishing of utilisation certificates and non-utilisation of interest accrued.

6.30.3 The following cases of mismanagement of funds allotted by GOI to DRDAs/Chennai Corporation/implementing agencies were noticed during test-check of accounts relating to the scheme.

Serial Number	Year (s)	Amount (Rs in crore)	Brief nature of irregularity	Remarks
1.	1997-98 to 1999-2000	7.25	Funds released for the programme were kept in Post office Savings Bank Account by DRDA, Nagapattinam and in Scheduled Bank by DRDA, Tirunelveli instead of in separate savings bank account for each MP in the Nationalised Bank.	
2.	Up to 1996-97	0.96	DRDA, Cuddalore kept the funds released for two MPs, (Cuddalore and Chidambaram) in a combined single bank account instead of in separate bank account for each MP.	Rupees 54.70 lakh available in the combined account as of April 2000 not apportioned and transferred to individual accounts opened from January 1997.

Serial Number	Year (s)	Amount (Rs in crore)	Brief nature of irregularity	Remarks
3.	1997-2000	11.92	In 7 districts test-checked the programme funds received by 75 implementing agencies were deposited in the Local Fund Accounts of Town Panchayats, Current Accounts in Banks or in Civil Deposit under 8443-Other Deposits and consequently no interest was earned on these deposits.	This was in violation of GOI instructions which required that the programme funds should be kept in Nationalised Banks and interest earned should be used for the works.
4.	1998-1999 and 1999-2000	1.08	Funds released for 9 works remained unutilised: (a) One work held up due to lack of funds to pay land cost to Chennai Corporation (Rs 0.75 crore); (b) 2 works held up due to litigation and one work for want of site (Rs 0.11 crore); and (c) 5 works were sanctioned without verifying the need, eligibility, availability of infrastructure etc., (Rs 0.22 crore).	These works were cancelled subsequently and the unutilised funds were retained by implementing agencies for a period of 7 months to 24 months as of August 2000.
5.	1998-1999 and 1999-2000	0.87	The MP of Chidambaram Constituency had conveyed (March 1999) through Fax his recommendation to provide computers in 28 selected schools to the District Collector, Cuddalore. The Collector, however, issued administrative sanction (July 1999) for construction of classroom in 29 schools at a cost of Rs 1.16 crore and Rs 87 lakh were released from the scheme funds. There was no written communication from the MP accepting the change.	
6.	1997-98 to 1999-2000	13.73	In 6 districts (Salem, Vellore, Cuddalore, Coimbatore, Nagapattinam and Virudhunagar) funds were temporarily diverted for small savings scheme in the Post offices and to other Central schemes by Project Officers/ Block Development Officers/ Commissioner, Salem Municipal Corporation.	As of June 2000 Rs 2 lakh had not been recouped to the programme fund.
7.	1997-99	0.04	A passenger vehicle was purchased in July 1998 by the Coimbatore Medical College against the sanction for the purchase of an Ambulance van for poor patients.	Vehicle is being used by the Dean of the college for official purpose.

Serial Number	Year (s)	Amount (Rs in crore)	Brief nature of irregularity	Remarks
8.	1997-2000	0.28	The banks did not credit interest accrued on the funds allotted to MPs of South Chennai and Central Chennai constituencies and kept in the bank.	Banks promised to credit interest in future.
9.	1997-98 to 1999-2000	0.08	The interest earned by 21 implementing agencies of 4 constituencies not remitted to DRDAs for use in the works.	
10.	1997-2000	45.32	Utilisation Certificates/ completion reports not furnished by implementing agencies for 1956 works though the works had been completed during 1997-98 to 1999-2000.	
11.	1997-98 to 1999-2000	0.01	Centage charges, though not payable as per GOI instructions, were paid to Tamil Nadu Water Supply and Drainage Board, Public Works Department and Tamil Nadu Electricity Board in respect of 11 works.	

6.30.4 Physical performance

During 1997-2000, 4880 works were recommended by MPs in test-checked constituencies and only 4618 works were sanctioned by the DRDAs/Commissioner, Chennai Corporation for execution, upto June 2000. Of 4576 works (including spill over works from previous years) taken up during 1997-2000, 3428 works were completed. Except 27 works which were not taken up due to site disputes and cancellation of works on MP's request, remaining 1121 works were in different stages of execution as of June 2000. Delay in execution of works was mainly due to delayed receipt of funds and the conduct of elections during which the code of conduct was in operation under which no works could be sanctioned. The irregularities noticed in the execution of the works are discussed below:

(a) Execution of works not covered under the scheme

Sixty six works costing Rs 7.49 crore were recommended and executed during 1997-2000, though not covered as per the guidelines of Government of India.

(i) According to GOI guidelines the repair/maintenance works of any type other than special repairs, works for places of worship, commercial organisations, private institutions, cooperative institutions, creation of assets for individual benefit are not permissible. Audit noticed that 58 works costing Rs 1.46 crore (details given in Appendix XLV) not covered under the scheme had been executed during 1997-2000 in the test-checked districts. In all these cases the MPs had recommended the execution of works/purchase of items, which had also been sanctioned by the DRDAs.

(ii) Procurement of computers for High Schools and Colleges was only permissible under the scheme. Based on the recommendation of four MPs (2 from Nagapattinam, Mayiladuthurai and Tiruvarur) the DRDA, Tiruvarur issued administrative sanction for computerisation of Tiruvarur Collectorate, 7 Taluk offices and 10 Panchayat Unions in Tiruvarur District at an estimated cost of Rs 87 lakh during March 1999 to March 2000 resulting in diversion of funds. GOI in fact clarified (February 2000) to the Additional Collector that installation of computer hardware in taluk offices cannot be taken up under the scheme.

(iii) On the recommendation of the MP, Cuddalore, the DRDA, Cuddalore issued administrative sanction for Rs 18 lakh in May 1999 for the construction of a swimming pool for 'Anna Vilayattu Arangam' (Anna Play Ground). The work was under progress and an expenditure of Rs 2.66 lakh had been incurred up to May 2000. The construction of the swimming pool is against the objective of the scheme, which provides for only work of development nature and for the need of local public.

(iv) Though bus sheds/stops for public transport passengers can be taken up under the scheme, five works of construction of bus terminus at the cost of Rs 1.36 crore in Chennai which include works like construction of compound wall, developing additional yard for parking buses, construction of time office, toilets for office etc., which were not admissible under the scheme were taken up through the Transport Corporation Divisions I and II. Out of Rs 1.35 crore released from scheme funds for this purpose, Rs 0.83 crore were incurred as expenditure upto March 2000 and 2 works (Saidapet and Ennore) were completed. The remaining 3 works (Kannadasan Nagar, Adambakkam and Saidapet Bridge) were under progress. Audit also observed that the cost of all the components of works at Ennore had been exhibited as additions to the assets of the Transport Corporation Division II. The Corporation being a commercial organisation, was not permitted to have its works executed under the scheme as per the guidelines issued by GOI.

(v) Works of desilting, improvements, repairs and strengthening of bunds of channels were executed at a cost of Rs 3.62 crore during 1998-99 and 1999-2000 on the recommendations of the MP of Tenkasi Constituency and one Rajya Sabha MP. As seen from the list of works executed by Tamaraparani Basin Division, Tirunelveli and Chittar Basin Division, Tenkasi, the works were evidently of repair/improvement and desilting works in various reaches of the channels. As they are in the nature of repairs and maintenance, not resulting in new durable assets, the same are inadmissible.

(b) DRDAs did not maintain the register of assets created under the scheme. The implementing agencies did not maintain separate register of assets but maintained a consolidated register for all the schemes undertaken by them.

The above points were referred to Government in August 2000; reply had not been received (February 2001).

CHAPTER VII

COMMERCIAL ACTIVITIES

AUDIT PARAGRAPH

7.1 Commercial Activities

As on 31 March 2000, there were four departmentally managed commercial and quasi-commercial undertakings in the State. The results of working of these undertakings are compiled annually by preparing *pro forma* accounts. The extent of arrears in the preparation of the *pro forma* accounts by each of these undertakings as at the end of August 2000 was as follows:

Serial Number	Name of the Department/Undertaking	Periods for which accounts were in arrears	Remarks
I	**Agriculture Department**		
1	Government Agricultural Engineering Workshop, Chennai	1997-98 to 1999-2000	Replies for comments on the *pro forma* accounts for the year 1997-98 have not been received.
2	Scheme for Purchase and Distribution of Chemical and Fertilisers, Chennai	1980-81 to 1999-2000	The Scheme was discontinued in 1978. Revised *pro forma* accounts for the year 1980-81 incorporating residuary transactions of the scheme were still awaited (September 2000). Agriculture Department proposed to dispense with the preparation of *pro forma* accounts from 1980-81 onwards on the ground that the scheme has been disbanded. Final decision on the proposal is yet to be taken.
II	**Animal Husbandry and Fisheries Department**		
3	Chank Fisheries, Tuticorin	1994-95 to 1999-2000	-
4	Chank Fisheries, Ramanathapuram	1997-98 to 1999-2000	-

The matter regarding delay in finalisation of the accounts was referred to the concerned Departments of the Government of Tamil Nadu in September 2000; reply was awaited (September 2000).

The financial results of these four undertakings for the year up to which the accounts had been compiled and audited showed that loss aggregating to Rs 1.53 crore (after charging interest on capital) had been incurred by these undertakings as per details in Appendix XLVI.

C.V. Avadhani

Chennai
The
21 APR 2001

(C.V. AVADHANI)
Principal Accountant General (Audit)I
Tamil Nadu and Pondicherry

Countersigned

V. K. Shunglu.

New Delhi
The
30 APR 2001

(V.K. SHUNGLU)
Comptroller and Auditor General of India

APPENDICES

Appendix I

(Reference: paragraphs 1.1 and 1.11.2; pages 1 and 19)

Statement showing structure of Government Accounts and list of Indices/ratios and basis for their calculations

Part A. Government Accounts

I. Structure: The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.).

Part II: Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature was Rs 150 crore.

Part III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes *viz.*, the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts present the details of expenditure by the State Government *vis-a-vis* the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B. List of Indices/ratios and basis for their calculation

Indices/ratios		Basis for calculation
Sustainability		
Balance from current revenues	B C R	Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04)and Non-Plan revenue expenditure.
Primary Deficit		Fiscal Deficit minus interest payment
Interest Ratio		$\frac{\text{Interest payment – Interest receipts}}{\text{Total Revenue receipts – Interest receipts}}$
	Capital Outlay	Capital expenditure as per Statement No. 1 of the Finance Accounts.
Capital Outlay Vs Capital receipts	Capital receipts	Internal Loans (net of ways and means advances) + Loans and advances from Government of India + Net receipts from small savings, Provident Funds, etc. + Repayments received from loans advanced by the State Government – Loans advanced by the State Government.
Total Tax Receipts Vs Gross State Domestic Product (GSDP)	Total tax receipts	State Tax Receipts plus State's share of Union Taxes.
	GSDP	As worked out by Government at current prices adopting the new series with base year 1993-94
State Tax Receipts Vs GSDP	State tax receipts	Statement No.1 of Finance Accounts.
	GSDP	As above
Flexibility		
Balance from current revenues	BCR	As above.
Capital repayments Vs Capital borrowings	Capital repayments	Disbursements under Major heads 6003 and 6004 minus repayments on account of Ways and Means Advances/Overdraft under both the major heads.
	Capital borrowings	Addition under Major Heads 6003 and 6004 minus addition on account of Ways and Means Advances/Overdraft under both the major heads.
Incomplete Projects		Appendix IV of Finance Accounts.
Total Tax Receipts Vs GSDP	Total Tax Receipts	As above.
Debt Vs GSDP	Debt	Borrowings and other obligations at the end of the year (Statement No.4 of the Finance Accounts).
	GSDP	As above.
Vulnerability		
Revenue Deficit		Paragraph 1.9.6 of the Audit Report
Fiscal Deficit		Paragraph 1.9.6 of the Audit Report
Primary Deficit Vs Fiscal Deficit	Primary Deficit	Fiscal Deficit minus interest payments.
Total outstanding guarantees including letters of comfort Vs Total Revenue Receipts of the Government	Outstanding guarantees	Exhibit IV.
	Revenue Receipts	Exhibit II.
Assets Vs Liabilities	Assets and Liabilities	Exhibit I.

Appendix II

(Reference: paragraph 2.3.2;page 27)

Grants/Appropriations where excess requires regularisation

Serial number	Number and title of grant/appropriation		Total grant/ appropriation (Rs)	Expenditure (Rs)	Excess (Rs)
	Voted Grants -				
1.	2	State Excise Department	20,35,37,000	20,53,44,894	18,07,894
2.	17	Education	42,52,87,66,000	43,96,30,06,370	1,43,42,40,370
3.	26	Khadi and Village Industries	31,54,39,000	31,58,14,688	3,75,688
4.	33	Urban Development	13,63,74,000	13,88,33,801	24,59,801
5.	35	Irrigation	3,15,43,29,000	4,13,26,55,215	97,83,26,215
6.	38	Roads and Bridges	3,99,61,02,000	4,04,61,54,258	5,00,52,258
7.	41	Pensions and Other Retirement Benefits	26,08,69,55,000	27,03,68,07,559	94,98,52,559
8.	45	Compensation and Assignments	78,68,37,000	99,90,31,494	21,21,94,494
9.	46	Information and Film Technology	18,10,61,000	18,12,63,117	2,02,117
	Charged Appropriation -				
10.	29	Social Welfare	*2,000*	*3,60,862*	*3,58,862*
Total		**Voted**	**77,38,94,00,000**	**81,01,89,11,396**	**3,62,95,11,396**
		Charged	***2,000***	***3,60,862***	***3,58,862***
Grand Total			**77,38,94,02,000**	**81,01,92,72,258**	**3,62,98,70,258**

2-24—35a

Appendix III

(Reference: paragraph 2.3.4(b); page 29)

Grants/Appropriations where Supplementary provision obtained in March 2000 proved unnecessary

(Rupees in lakh)

Serial Number	Number and title of grant/appropriation		Supplementary grant/appropriation (March 2000)	Final saving
	Voted Grants -			
1.	5	Stamps-Administration	76.52	217.65
2.	14	Jails	0.13	374.42
3.	16	Fire services	0.13	807.69
4.	24	Industries	0.02	359.30
5.	25	Handlooms and Textiles	0.09	3814.62
6.	27	Rural Development	0.23	2745.25
7.	32	Housing	0.03	2863.64
8.	34	Civil Supplies	0.05	33851.18
9.	37	Environment	0.03	751.29
10	42	Miscellaneous	0.21	17192.04
11	47	Rural Industries	0.13	922.56
12	49	Municipal Administration	0.04	638.13
13	51	Tamil Development-Culture	615.11	647.38
14.	56	Capital Outlay on Roads and Bridges	0.09	10559.49
15	59	Capital Outlay on Rural Industries	1.94	1.99
16	60	Miscellaneous Capital Outlay	1680.81	1803.70
		Total	**2375.56**	**77550.33**

(Rupees in lakh)

Serial Number	**Number and title of grant/appropriation**		**Supplementary grant/appropriation (March 2000)**	**Final saving**
	Charged Appropriations-			
1.	11	District Administration	*0.65*	*0.69*
2.	12.	Administration of the Tamil Nadu Hindu Religious and Charitable Endowments Act, 1959	*0.10*	*0.85*
3.	16	Fire services	*2.70*	*2.71*
4.	17	Education	*2.38*	*2.46*
5.	19	Public Health	*0.82*	*0.83*
6.	20	Agriculture	*2.50*	*2.52*
7.	21	Fisheries	*0.16*	*0.17*
8.	22	Animal Husbandry	*0.80*	*0.83*
9.	23	Co-operation	*1.84*	*1.85*
10.	25	Handlooms and Textiles	*1.33*	*1.34*
11.	35	Irrigation	*0.49*	*0.50*
12.	36	Public Works-Buildings	*2.74*	*6.29*
13.	54	Capital outlay on Irrigation	*0.16*	*0.17*
	Total		***16.67***	***21.21***
Grand Total			**2392.23**	**77571.54**

Appendix IV

(Reference: paragraph 2.3.4 (c); page 30)

Grants where Supplementary provision obtained during 1999-2000 proved insufficient by more than Rs 5 crore each

(Rupees in lakh)

Serial Number	Number and title of grant		Total Supplementary grant	Final excess
	Voted Grants -			
1.	17	Education	10887.05	14342.40
2.	35	Irrigation	19.26	9783.26
3.	38	Roads and Bridges	26.09	500.52
4.	41	Pensions and Other Retirement Benefits	72733.51	9498.53
5.	45	Compensation and Assignments	0.01	2121.94
	Total		**83665.92**	**36246.65**

Appendix V

(Reference: paragraph 2.3.6; page 30)

Statement showing persistent savings during 1997-98 to 1999-2000

(Rupees in crore)

Serial number	Number and title of grant/appropriation	1997-98		1998-99		1999-2000	
		Amount	Percentage	Amount	Percentage	Amount	Percentage
	Voted Grants -						
1.	8 Elections	5.64	10	10.56	36	4.65	7
2.	36 Public Works - Buildings	3.41	6	5.40	7	6.22	7
3.	37 Environment	6.06	29	7.27	45	7.51	64
4.	42 Miscellaneous	471.35	73	1050.76	84	171.92	38
		(Saving of 11 and 20 *per cent* occurred during 1995-96 and 1996-97 respectively)					
5.	44 Forest Department	15.46	18	5.95	6	8.45	8
		(Saving of 11 *per cent* occurred during 1996-97 also)					
6.	51 Tamil Development - Culture	2.60	11	5.59	19	6.47	18
		(Saving occurred in the preceding 6 years, the percentage of saving ranging from 6 to 15)					
7.	54 Capital Outlay on Irrigation	172.24	69	51.49	19	122.94	25
		(Saving occurred in the preceding 20 years, the percentage of saving ranging from 11 to 83)					
8.	56 Capital outlay on Roads and Bridges	151.78	41	235.20	49	105.60	23
	Charged Appropriations -						
9.	13 Administration of Justice	*1.68*	11	*1.13*	6	*1.00*	5
		(Saving occurred in preceding 4 years, the percentage of saving ranging from 5 to 11)					
10.	30 Welfare of the Scheduled Tribes and Castes, etc.	*5.78*	100	*4.49*	100	*4.00*	100
		(Saving occurred in preceding 4 years, the percentage of saving ranging from 49 to 99)					
11.	36 Public Works - Buildings	*0.16*	55	*0.06*	22	*0.06*	21
		(Saving of 6 *per cent* occurred during 1996-97 also)					
12.	41 Pensions and Other Retirement Benefits	*0.24*	51	*1.36*	100	*0.12*	95
		(Saving of 77 *per cent* occurred during both the years 1995-96 and 1996-97)					
13.	55 Capital Outlay on Public Works – Buildings	*1.08*	55	*0.25*	23	*0.27*	28
		(Saving occurred in preceding 6 years, the percentage of saving ranging from 16 to 100)					
14.	Public Debt - Repayment	*1427.89*	78	*883.42*	41	*710.53*	12
		(Saving occurred in preceding 7 years, the percentage of saving ranging from 15 to 82)					

Appendix VI

(Reference: paragraph 2.3.7; page 31)

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 grant/appropriation		Amount of saving (Rupees in crore) (Percentage of provision)	Main reasons for saving
	Voted Grants -			
1.	5	Stamps-Administration	2.18 (20)	Saving mainly occurred under (a) 2030.02.101.I.AA "Supply from Central Stamp Stores" (Rs 1.41 crore) and (b) 2030.01.101.I.AA Supply from Central Stamp Stores (Rs 0.93 crore) due to non-supply of indent for three quarters by Nasik Press in principle not sending the indents through rail to avoid shortages in transit. Saving was partly offset by excess under 'Mofussil' (Rs 0.15 crore), specific reasons for which have not been communicated (August 2000).
2.	16	Fire Services	8.08 (13)	Saving mainly occurred under "Fire protection and control - Fire stations including workshops and mobile repair squads" (Rs 10.97 crore), specific reasons for which have not been communicated (August 2000). Saving was partly offset by excess under (a) "Direction and Administration" (Rs 2.29 crore) which was to meet the expenditure towards opening of 2 new fire stations, payment of pay and allowances, dearness allowance, festival advance, telephone bills, electricity bills and purchase of H.F sets, Tools and plant and vehicles to newly opened fire stations and (b) "Other expenditure" (Rs 0.36 crore), specific reasons for which have not been communicated (August 2000).
3.	23	Co-operation	9.26 (12)	Saving mainly occurred under "Interest Incentive Schemes for Small and Marginal Farmers for prompt repayment of short term/ Medium-term/Medium-term conversion/Medium-term conversion rephasement loans to Primary Agriculture Cooperative Banks" (Rs 8.00 crore), specific reasons for which have not been communicated (August 2000).

Serial Number	Number and title of grant/appropriation		Amount of saving (Rupees in crore) (Percentage of provision)	Main reasons for saving
4.	24	Industries	3.59 (17)	Saving mainly occurred under (a) "Assistance to SIPCOT towards capital subsidy for setting up of Industries in Backward areas" (Rs 7.50 crore), specific reasons for which have not been communicated (August 2000). Saving was partly offset by excess under "Assistance for State Industries Promotion Corporation of Tamil Nadu Limited for Development of Infrastructural facilities in the Export Promotion Industrial Park at Gummidipoondi" (Rs 4.75 crore), due to increased expenditure for infrastructural facilities in the Export promotion Industrial Park at Gummidipoondi.
5.	25	Handlooms and Textiles	38.15 (19)	Saving mainly occurred under (a) Rebate on sale of Handloom cloth (Rs 17.43 crore) (b) Marketing Development Assistance (Rs 9.45 crore) (c) Subsidy for production of controlled dhoties and sarees (Rs 10.53 crore) due to withdrawal of scheme of Janata subsidy by Government of India from the year 1999-2000 and backlog amount for previous years released by Government of India has been spent. Specific reasons for saving under (a) and (b) have not been communicated (August 2000).
6.	32	Housing	28.64 (27)	Saving occurred mainly under "Upgradation of standards of Administration recommended by the Tenth Finance Commission – Assistance to Tamil Nadu Slum Clearance Board for Slum Improvement in Chennai city" (Rs 20.00 crore) due to non-utilisation of funds. Saving also occurred under Tamil Nadu Rural Housing Scheme (Rs 9.00 crore) due to non-implementation of the Rural Housing Scheme. The Registrar of Cooperative Societies (Housing) stated that the funds have been diverted by Government to some other schemes in the Backward Classes Department.

Serial Number	Number and title of grant/appropriation		Amount of saving (Rupees in crore) (Percentage of provision)	Main reasons for saving
7.	34	Civil Supplies	338.51 (29)	Saving occurred under "Reimbursement of losses incurred by Tamil Nadu Civil Supplies Corporation Limited for procurement and supply of food articles under Public Distribution System" (Rs 289.99 crore) due to decrease in provision made for the subsidies. Saving also occurred under "Feeding of Children in the age group 5-9 under Puratchi Thalaivar MGR Noon Meal Programme – payment of cost to Tamil Nadu Civil Supplies Corporation Limited for supply of food articles" (Rs 48.28 crore), specific reasons for which have not been communicated (August 2000).
8.	37	Environment	7.51 (64)	Saving mainly occurred under "Assistance to Local Bodies for Environmental improvement to River Cauvery under National River Action Plan (NRAP)" (Rs 8.00 crore), which was attributed to the implementation of the above programme with the funds available with the Tamil Nadu Water Supply and Drainage Board. The saving was counterbalanced by excess under other items detailed in the Appropriation Accounts.
9.	42	Miscellaneous	171.92 (38)	Saving mainly occurred under (a) "Lumpsum provision for unforeseen expenditure" (Rs 249.95 crore) due to the redistribution of funds under the respective sub-heads and (b) "Investors Incentive Scheme" (Rs 12.67 crore) due to withdrawal of Investors Incentive Scheme. The saving was offset by excess under (a) "payment of raffle prize money" (Rs 50.22 crore) due to payment of award prizes (b) "Amount transferred to Tamil Nadu Special Welfare Fund" (Rs 13.61 crore) due to transfer of 75 *per cent* of net proceeds of Tamil Nadu Raffle sales to the Tamil Nadu

Serial Number	Number and title of grant/appropriation		Amount of saving (Rupees in crore) (Percentage of provision)	Main reasons for saving
				State Welfare Fund (c) "Agents' Incentive Scheme" (Rs 4.65 crore) due to settlement of pending claims of agents incentive (d) "Rehabilitation of Bonded Labourers" (Rs 2.51 crore) mainly to meet the expenditure towards Rehabilitation schemes for bonded labourers (e) "printing charges of Raffle Tickets" (Rs 1.67 crore) towards the expenditure on printing of additional Raffle Tickets and (f) "Special Provident Fund-*cum*-Gratuity Scheme for Aided Educational Institutions controlled by the Director of Elementary Education" (Rs 19.15 crore), specific reasons for which have not been communicated (August 2000).
10.	47	Rural Industries	9.23 (10)	Saving mainly occurred under "Assistance to Tamil Nadu Industrial Investment Corporation towards share capital subsidy to Industrial units" (Rs 9.00 crore), specific reasons for which have not been communicated (August 2000).
11.	51	Tamil Development – Culture	6.47 (18)	Saving mainly occurred under (a) "Pension to the persons who have rendered meritorious service for the preservation and promotion of Tamil Language, Literature and Culture" (Rs 3.19 crore) and (b) "Tamil University, Thanjavur" (Rs 2.38 crore). Specific reasons for saving under (a) and (b) have not been communicated (August 2000).
12.	54	Capital outlay on Irrigation	122.94 (25)	Saving mainly occurred under "Interest charges" (Rs 123.41 crore) due to non-adjustment under the head though Supplementary grant obtained in March 2000 was towards interest charges on Major Works on Irrigation. Saving was partly offset by excess under "Modernisation and Rehabilitation of Cumbum system under Water Resources Consolidation Project (WRCP) Stage II" (Rs 0.42 crore).

Serial Number	Number and title of grant/appropriation		Amount of saving (Rupees in crore) (Percentage of provision)	Main reasons for saving
13	56	Capital outlay on Roads and Bridges	105.59 (23)	Saving mainly occurred under (a) "Improvements to Rural roads with loan assistance from National Agricultural Bank for Rural Development (NABARD)" (Rs 21.69 crore) (b) "Margin Money to Chennai Metropolitan Development Authority for improvement to Radial roads with Housing and Urban Development Corporation (HUDCO) Loan Assistance" (Rs 20.35 crore) (c) "Tamil Nadu State Highways Project" (Rs 18.47 crore) (d) "Improvements to Bus Routes with loan assistance from NABARD" (Rs 16.48 crore) (e) "Improvement to Rural roads with Loan assistance from NABARD under Special Component Plan" (Rs 12.01 crore) (f) "Margin money to Tamil Nadu State Construction Corporation Limited for construction of bridges with HUDCO loan assistance" (Rs 11.04 crore) (g) "Rural roads in Marketing Centre" (Rs 3.77 crore) and (h) "District and other Roads under Special Component Plan" (Rs 1.10 crore). Specific reasons for saving under (a) to (h) have not been communicated (August 2000).
	Charged Appropriations -			
14.	30	Welfare of the Scheduled Tribes and Castes, etc.	*4.00* (100)	Saving occurred under "House sites for Adi-Dravidars" (Rs 4.00 crore), specific reasons for which have not been communicated (August 2000).
15.		Public Debt – Repayment	*710.53* (12)	Saving occurred under (a) "Ways and Means Advances from the Reserve Bank of India" (Rs 512.95 crore), (b) "Overdraft from the Reserve Bank of India" (Rs 182.94 crore) which was attributed to less availing of Ways and Means Advances and Overdraft than anticipated.

Appendix VII

(Reference: paragraph 2.3.8;page 31)

Statement showing cases where substantial surrenders were made during the year

Serial number	Number and title of Grant	Name of the scheme (Head of Account)	Amount of Surrender (Rupees in lakh)	Percentage of Surrender
1)	Debt charges	Interest on Deposits of Tamil Nadu Water Supply and Drainage Board. (2049-60-101-I-AU)	*300.00*	100
The Interest could not be paid due to non-receipt of the TA 22 extract from the respective PAO/Treasury Officer. Hence, the entire provision of Rs 300 lakh was surrendered.				
2)	17 Education	Upgradation of standards of Administration recommended by the 10th Finance Commission - Additional facilities for upper Primary Schools (2202.01.800.II.JZ)	237.91	79
As against the financial sanction of Rs 248.39 lakh, the balance available during 1999-2000 was Rs 62.09 lakh only under the scheme of providing toilet facilities for girls in Higher Elementary schools. However, Rs 300 lakh had been provided in BE for 1999-2000. As the financial sanction relating to 1999-2000 is only Rs 62.09 lakh, the provision made in Budget Estimate is in excess to the requirements and therefore surrendered in reappropriation.				
3)	17 Education	Vocationalisation of Higher Secondary Education (2202.02.800.VI.UA)	1826.26	100
The Government of Tamil Nadu had instructed (February 1999) the Director of School Education that the salary and other allowances of the Vocational Staff so far claimed under the sub-head of account 2202.02.800.UA have been brought under 2202.02.109.I.AA (for Government Secondary/Higher Secondary School) and 2202.02.110.AA (for Aided Schools) with effect from 1 April 1998 and accordingly, the amount provided was surrendered in March 1999. However, a sum of Rs 1826.26 lakh was provided in Budget Estimate for 1999-2000 by the Government and the same was surrendered.				
4)	20 Agriculture	Implementation of the scheme on "Commercial Floriculture" (2401.00.119.III.SE)	37.72	62
In anticipation of obtaining administrative approval from Government of India, an amount of Rs 60.72 lakh was provided in Budget Estimate for 1999-2000. But, administrative approval was received for only Rs 23.00 lakh from Government of India. Hence, excess provision of Rs 37.72 lakh made in Budget Estimate was surrendered.				
5)	25 Handlooms and Textiles	Subsidy for production of controlled dhoties and sarees (2851.00.103.I.AJ)	1053.17	88
Surrender was due to withdrawal of the scheme of Janata subsidy by Government of India from the year 1999-2000.				

Serial number	Number and title of Grant	Name of the scheme (Head of Account)	Amount of Surrender (Rupees in lakh)	Percentage of Surrender
6)	27 Rural Development	Integrated Rural Development Programme under Special Component Plan (2501.01.789.II.JB)	1417.86	79
7)	27 Rural Development	Million Wells Scheme under Special Component Plan (2505.01.789.II.JC)	373.44	100

Due to introduction of new scheme *viz.*, "Swarnajayanthi Gram Swarozgar Yojana" (SGSY), Government of India, by merging the existing schemes, *viz.*, Integrated Rural Development Programme, Training of Rural Youth in Self-employment, Development of Women and Children in Rural Areas, Ganga Kalyan Yojana and Million Wells Scheme with effect from 1 April 1999 (*vide* G.O.Ms.No.137, Rural Development Department, dated 21 July 1999), the amounts provided for the above schemes were transferred to the new scheme SGSY under 2501.01.800.II.JB.

8)	27 Rural Development	Assistance to Local Bodies for District Decentralised Plan (2515.00.101.II.JF)	3300.00	94

Out of Rs 3500 lakh provided, Rs 3200 lakh were reallocated to Member of Legislative Assembly Constituency Development Scheme based on Government orders issued in April 1999. Subsequently, Rs 100 lakh were also diverted to State Planning Commission towards staff cost for District Planning Cell personnel.

9)	29 Social Welfare	Cash assistance to pregnant women below poverty line.(2235.02.103.I.AZ)	610.05	100

The entire provision was surrendered due to discontinuance of the scheme.

10)	31 Welfare of the Backward Classes, Most Backward Classes and Denotified Communities	House sites for forward communities who live in the village below poverty line under the control of Director of Backward Classes and Minorities Welfare (2235.60.200.II.JM)	235.25	78

Out of a provision of Rs 300 lakh, Rs 64.75 lakh was only utilised for the above scheme and the balance amount of Rs 235.25 lakh was reallocated to other schemes *viz.*, Heavy Vehicle Driver Training – Rs 206.25 lakh and Job Oriented Intensive Computer Training – Rs 29 lakh.

11)	32 Housing	Upgradation of Standards of Administration recommended by the Tenth Finance Commission – Assistance to Tamil Nadu Slum Clearance Board for slum improvement in Chennai city (2217.04.191.II.JQ)	2000.00	67

Though the Tamil Nadu Slum Clearance Board proposed Rs 18 crore for the implementation of the above scheme, a sum of Rs 30 crore was provided in the Budget Estimate. The Tamil Nadu Slum Clearance Board stated (February 2000) that the construction of only 3,084 out of 6,500 houses could be completed during the project period 1996-2000 due to delay in alienation of land, approval of layout and finalisation of tenders, etc.

Serial number	Number and title of Grant	Name of the scheme (Head of Account)	Amount of Surrender (Rupees in lakh)	Percentage of Surrender
12)	37 Environment	Assistance to Local Bodies for environmental improvement to River Cauvery under National River Action Plan (3435.04.103.VI.UA)	800.00	100
The Director of Environment in May 2000 stated that provision was made in Budget Estimate for 1999-2000 by anticipating clearance of Detailed Project Report for Sewage Treatment Plant from GOI . However, the National River Conservation Directorate, Ministry of Environment and Forests was considering various technology options for treatment of sewage including waste stabilisation pond technology. Hence, detailed project reports were sent to Government of India in June-July 1999. As the approval of detailed project reports have not been received, the entire provision was surrendered.				
13)	54 Capital outlay on Irrigation	Strengthening of Baby Dam (4701.01.201.II.JF)	102.00	100
The Department stated (July 2000) that the work could not be taken up during 1999-2000 due to objection raised by the Chief Engineer (Design and Research/PWD) of the Government of Kerala and pending a court case in High Court of Kerala. Without getting clearance from Kerala Government, the bid proposals duly recommending lowest evaluated bid (valid upto 9 September 1998) was forwarded to Government, Public Works Department (in July 1998 itself). This was withdrawn in reappropriation as concurrence has not been received from Kerala Government till March 2000.				
14)	56 Capital outlay on Roads and Bridges	Special Bridges Schemes (5054.04.800.II.JL)	598.47	96
The Department stated (July 2000) that though estimate for the construction of high level bridge at Singarathope was sanctioned during July 1998, since alternate design was considered in September 1999, tenders could be finalised only in December 1999. This resulted in huge surrender.				
15)	56 Capital outlay on Roads and Bridges	Construction of under-bridge at the junction of Pondy Krishnagiri Road under Economic Inter-state importance (5054.05.337.II.JA)	250.00	50
The surrender was due to non-acquisition of land for the bridge works in Rotary portion and also due to stay order obtained by the postal authorities against demolishing the postal buildings.				
16)	60 Miscellaneous capital outlay	Budgetary support to Tamil Nadu Slum Clearance Board – Resettlement and Rehabilitation of slum dwellers under Chennai Flood Relief Project (4216.80.190.II.JA)	600.00	100
The Tamil Nadu Slum Clearance Board stated (August 2000) that it was programmed to complete 984 houses at Okkium Thoraipakkam – (Phase II). As the funds received from the Chennai Metropolitan Development Authority was found to be adequate to complete the construction of 984 houses, the provision made by the Government was not utilised. Hence, surrendered.				
17)	60 Miscellaneous capital outlay	Share capital assistance to Tamil Nadu Electricity Board (4801.80.101.I.AB)	10000.00	100
The entire provision was surrendered due to reclassification and shown under 4801.80.101.JA – Share Capital assistance to Tamil Nadu Electricity Board in March 2000.				

Appendix VIII

(Reference: paragraph 2.3.9; page 31)

Excess/Unnecessary/Insufficient Reappropriation of funds

(Rupees in lakh)

Serial number	Grant Number and title of Grant / Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
1.	4 General Sales tax and other Taxes and Duties – Administration	2040.101.I.AB	(-) 2.22	(-) 801.50
2.	Debt Charges	2049.01.101.I.AB	*(-) 4789.03*	*(+) 200.55*
3.		2049.01.101.I.AJ	*(+) 0.02*	*(+) 108.89*
4.		2049.01.101.I.BD	*(-) 184.75*	*(+) 182.10*
5.		2049.01.200.I.AX	*(+) 360.25*	*(-) 427.92*
6.		2049.03.104.I.AA	*(+) 4906.68*	*(+) 126.52*
7.		2049.60.101.I.AE	*(-) 848.67*	*(+) 572.35*
8.	8 Elections	2015.103.I.AA	(-) 0.91	(-) 381.10
9.		2015.105.I.AB	(+) 3.94	(-) 113.12
10.	11 District Administration	2053.094.I.AC	(+) 74.38	(-) 604.29
11.		2053.094.I.AN	(-) 0.59	(+) 384.87
12.		2054.097.I.AA	(-) 16.71	(-) 129.42
13.	15 Police	2055.001.I.AA	(-) 251.02	(-) 372.92
14.		2055.101.I.AA	(+) 16.64	(-) 246.41
15.		2055.104.I.AG	(+) 28.84	(-) 150.25
16.		2055.104.I.AR	(-) 454.12	(-) 447.47
17.		2055.108.I.AB	(-) 9.75	(-) 676.28
18.		2055.108.I.AC	(+) 1.59	(-) 457.41
19.		2055.108.I.AD	(-) 2.31	(-) 476.08
20.		2055.109.I.AA	(+) 1868.19	(-) 359.65
21.		2055.109.I.AL	(-) 43.02	(+) 149.39
22.		2055.115.I.AA	(-) 46.36	(-) 160.19
23.		2055.115.I.AE	(-) 231.00	(-) 308.91
24.	17 Education	2059.01.053.I.AR	(-) 461.14	(+) 274.21
25.		2059.01.053.I.AS	(+) 485.50	(-) 123.57
26.		2202.01.101.I.AA	(+) 359.73	(-) 1008.67
27.		2202.01.101.I.AB	(+) 525.04	(+) 612.49
28.		2202.01.101.I.AC	(+) 4430.28	(+) 8490.23
29.		2202.01.102.I.AD	(+) 4609.99	(+) 3961.71
30.		2202.01.102.II.JA	(+) 10.77	(+) 326.13

(Rupees in lakh)

Serial number	Grant Number and title of Grant / Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
31.		2202.01.102.II.JL	(+) 778.57	(-) 778.58
32.		2202.01.104.I.AA	(+) 2294.20	(-) 1890.53
33.		2202.01.108.II.JC	(-) 419.00	(-) 187.82
34.		2202.01.800.III.SA	(+) 1141.15	(-) 339.35
35.		2202.02.101.I.AA	(-) 522.56	(+) 323.57
36.		2202.02.109.I.AA	(+) 10397.83	(+) 4149.38
37.		2202.02.109.I.AB	(+) 764.56	(-) 342.71
38.		2202.02.109.III.SB	(-) 0.01	(-) 161.08
39.		2202.02.110.I.AA	(+) 568.95	(+) 6545.15
40.		2202.02.110.II.JC	(+) 164.40	(+) 259.89
41.		2202.02.800.II.JB	(+) 109.70	(-) 141.55
42.		2202.02.800.II.JE	(-) 1.39	(-) 105.72
43.		2202.03.103.I.AA	(+) 2301.33	(-) 828.14
44.		2202.03.103.I.AB	(+) 1172.52	(-) 832.01
45.		2202.03.104.I.AA	(+) 10383.49	(-) 559.68
46.		2203.03.105.II.PA	(+) 23.37	(-) 312.03
47.		2225.01.789.II.JA	(-) 180.00	(+) 180.04
48.	18 Medical	2210.01.110.I.AA	(-) 57.00	(-) 104.32
49.		2210.01.110.I.AJ	(-) 50.93	(-) 141.39
50.		2210.01.110.I.AN	(+) 71.20	(-) 121.74
51.		2210.01.110.I.AV	(-) 10.81	(-) 120.38
52.		2210.01.110.I.AW	(-) 29.74	(+) 237.19
53.		2210.05.105.I.AC	(-) 65.90	(+) 160.02
54.		2210.05.105.I.AL	(-) 56.21	(-) 193.32
55.		2210.06.101.AG	(+) 68.34	(-) 107.89
56.	19 Public Health	2210.03.103.I.BI	(+) 511.08	(-) 321.43
57.		2210.06.101.VI.UA	(+) 0.71	(-) 280.61
58.		2211.101.III.SC	(-) 3.32	(+) 118.15
59.		2211.103.III.SF	(-) 559.23	(-) 361.57
60.	20 Agriculture	2401.001.I.AH	(-) 156.94	(+) 155.77
61.		2401.108.VI.UC	(-) 294.84	(-) 490.97
62.		2401.109.I.AK	(+) 1399.00	(-) 113.34
63.		2402.102.II.JA	(+) 230.41	(-) 564.04
64.		2402.102.III.SE	(-) 275.56	(-) 184.98
65.		2551.01.102.II.JA	(-) 13.10	(-) 230.18
66.		2705.101.VI.UA	(+) 34.77	(-) 331.79

(Rupees in lakh)

Serial number	Grant Number and title of Grant / Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
67.		2705.102.VI.UA	(+) 165.18	(-) 646.94
68.		2705.107.VI.UA	(-) 4.05	(-) 125.81
69.		2705.108.VI.UA	(+) 21.06	(-) 238.13
70.	21 Fisheries	2225.03.283.II.JE	(+) 3.33	(+) 173.96
71.	22 Animal Husbandry	2403.101.I.AA	(-) 28.00	(-) 216.34
72.	25 Handlooms and Textiles	2235.60.200.I.CP	(+) 1253.99	(-) 1999.80
73.	27 Rural Development	2215.02.105.VI.UA	(+) 3.49	(-) 145.83
74.		2236.02.102.I.AF	(+) 1183.58	(-) 321.28
75.		2501.01.800.II.JA	(-) 207.67	(+) 123.53
76.		2515.001.I.AE	(-) 808.96	(-) 236.65
77.		2515.101.II.JF	(-) 3300.00	(+) 430.96
78.		2515.101.II.JI	(+) 630.94	(-) 630.95
79.		2515.102.VI.UA	(+) 100.78	(-) 100.78
80.		2515.800.II.JV	(+) 3199.99	(-) 430.21
81.		3604.200.II.JA	(+) 2.00	(-) 664.00
82.	29 Social Welfare	2235.60.102.I.AA	(+) 1073.76	(-) 323.26
83.		2235.60.200.I.AS	(+) 196.70	(-) 212.85
84.		2236.02.101.II.JN	(+) 1578.10	(-) 102.68
85.		2236.02.101.III.SF	(+) 15.09	(-) 141.34
86.		2236.02.102.I.AN	(-) 161.22	(-) 169.15
87.		2236.02.102.I.AY	(+) 0.30	(-) 175.95
88.	30 Welfare of the Scheduled Tribes and Castes, etc.	2225.01.277.I.AA	(+) 1291.25	(-) 169.23
89.		2225.01.277.I.AE	(+) 289.48	(-) 239.14
90.		2225.01.283.II.JA	(-) 7.05	(+) 146.35
91.		2225.01.800.I.BI	(-) 18.51	(-) 322.64
92.		2225.02.277.I.AA	(+) 139.76	(-) 115.53
93.	31 Welfare of the Backward Classes, Most Backward Classes and Denotified Communities	2225.03.283.II.JB	(-) 132.58	(-) 127.13
94.	34 Civil Supplies	2236.02.102.I.AD	(-) 3.56	(-) 271.63
95.		2236.02.102.I.AE	(-) 3676.85	(-)1150.81
96.		3456.103.I.AA	(-) 30499.13	(+) 1500.33

(Rupees in lakh)

Serial number	Grant Number and title of Grant / Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
97.	35 Irrigation	2701.80.001.I.AF	(+) 369.50	(-) 220.60
98.		2711.01.800.I.AF	(-) 152.76	(+) 118.62
99.	36 Public Works - Buildings	2059.80.001.I.BH	(-) 1.29	(-) 212.26
100.	38 Roads and Bridges	3054.03.337.I.AA	(+) 11.76	(+) 130.25
101.		3054.04.337.I.AA	(+) 93.09	(+) 210.95
102.		3054.04.337.I.AB	(+) 171.10	(+) 520.35
103.		3054.04.337.I.AF	(-) 2000.00	(+) 114.50
104.		3054.80.797.I.AA	(-) 11.12	(-) 219.82
105.	41 Pensions and Other Retirement Benefits	2071.01.101.I.AA	(+) 5178.41	(+) 623.38
106.		2071.01.101.I.AI	(-) 94.88	(-) 187.55
107.		2071.01.800.I.AF	(-) 503.47	(+) 248.50
108.		2235.60.102.I.AF	(-) 820.23	(+) 791.78
109.	42 Miscellaneous	2047.103.I.AD	(-) 50.01	(-) 135.99
110.		2075.797.I.AA	(+) 3749.99	(-) 2388.81
111.		2075.800.I.GJ	(+) 56.18	(+) 176.00
112.		2235.01.105.I.AC	(+) 0.75	(-) 152.51
113.	44 Forest Department	2406.01.001.I.AB	(+) 697.07	(-) 141.57
114.		2406.01.102.II.PD	(+) 85.95	(-) 205.95
115.		2406.01.105.I.AE	(-) 43.18	(-) 169.83
116.	45 Compensation and Assignments	3604.103.I.AA	(-) 375.08	(+) 1687.79
117.		3604.200.I.AH	(+) 0.01	(+) 117.74
118.	47 Rural Industries	2851.00.800.III.SA	(-) 0.59	(-) 118.47
119.	49 Municipal Administration	3475.108.II.JA	(-) 11.18	(-) 280.94
120.		3604.200.I.AZ	(-) 625.00	(+) 237.05
121.	54 Capital Outlay on Irrigation	4701.01.211.II.JA	(-) 360.48	(+) 189.68
122.		4701.03.217.II.PA	(-) 179.80	(-) 186.85
123.		4701.03.248.II.PA	(-) 39.20	(+) 126.78
124.		4701.03.255.II.PA	(+) 150.30	(-) 272.22
125.		4701.03.255.II.PC	(+) 405.54	(+) 509.93
126.		4701.03.258.II.PC	(-) 529.27	(+) 228.17
127.		4701.03.267.II.PA	(-) 516.44	(-) 103.51
128.		4701.03.271.II.PA	(+) 968.28	(+) 546.30

(Rupees in lakh)

Serial number	Grant Number and title of Grant / Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
129.		4701.03.277.II.JA	(+) 446.33	(+) 154.93
130.		4701.03.285.II.PA	(-) 355.80	(+) 100.10
131.		4702.101.II.PA	(+) 68.89	(-) 109.49
132.	55 Capital Outlay on Public Works-Buildings	4059.01.051.I.AB	(+) 1821.60	(-) 542.36
133.		4225.80.800.II.JA	(-) 262.50	(+) 186.48
134.	56 Capital Outlay on Roads and Bridges	5054.04.337.II.JK	(-) 260.74	(-) 308.77
135.		5054.04.800.II.JA	(+) 488.37	(-) 200.70
136.		5054.80.800.II.PB	(-) 1596.69	(-) 250.00
137.	60 Miscellaneous Capital Outlay	4220.60.101.I.AC	(+) 105.21	(-) 149.27
138.		4225.02.277.II.JM	(+) 2.00	(+) 150.00
139.		4225.02.277.VI.UA	(+) 209.99	(-) 300.00
140.		4225.03.800.II.JD	(-) 1500.00	(-) 500.00
141.		4711.01.103.II.KL	(-) 849.60	(-) 239.58
142.	61 Loans and Advances by the State Government	6215.02.190.II.PB	(-) 2247.00	(+) 713.01
143.		7610.800.I.AB.02	(-) 31.00	(+) 120.68
144.		7610.800.I.AB.40	(-) 100.00	(+) 111.84
145.	Public Debt - Repayment	6003.110.I.AA	*(-) 9013.00*	*(-) 42281.98*
146.		6003.110.I.AB	*(-) 15156.29*	*(-) 3138.16*

Appendix IX

(Reference: paragraph 2.4.3; page 33)

Rush of Expenditure

(Rupees in lakh)

Serial number	Head of account Scheme/Service	Total expenditure	Expenditure incurred in March 2000	Percentage of expenditure in March 2000 to total expenditure
1.	2041.800.I.AF	102.78	102.78	100
2.	2047.103.I.AD	303.11	177.38	59
3.	2049.01.101.I.AJ	*108.92*	*108.89*	100
4.	2049.03.101.I.AB	*1745.70*	*1745.69*	100
5.	2049.03.101.I.AJ	*297.40*	*292.64*	98
6.	2049.03.104.I.AD	*167.30*	*167.30*	100
7.	2049.03.104.I.AJ	*447.22*	*447.22*	100
8.	2049.03.104.I.AK	*11148.23*	*11148.23*	100
9.	2049.03.104.I.AL	*220.00*	*220.00*	100
10.	2049.60.101.I.AC	*998.94*	*767.39*	77
11.	2049.60.101.I.AN	*782.24*	*700.80*	90
12.	2049.60.101.I.BG	*107.22*	*107.22*	100
13.	2049.60.101.I.CT	*176.30*	*176.30*	100
14.	2055.113.I.AE	337.63	172.51	51
15.	2055.115.I.AE	555.22	545.39	98
16.	2055.800.I.AE	499.73	336.82	67
17.	2056.101.II.JA	225.48	139.72	62
18.	2058.101.I.AA	2178.08	1196.31	55
19.	2059.01.053.I.AS	598.28	344.80	58
20.	2070.108.II.JA	136.90	115.14	84
21.	2075.103.I.AA	284.61	218.87	77
22.	2202.01.101.II.JA	280.03	257.89	92
23.	2202.01.108.II.JC	1145.49	1140.32	100
24.	2202.02.109.II.JX	1727.83	1146.46	66
25.	2202.03.102.I.AA	865.99	608.07	70
26.	2202.03.102.I.AF	122.64	115.40	94
27.	2203.112.II.JB	273.10	214.06	78
28.	2210.01.109.I.AB	301.12	300.00	100
29.	2210.01.110.I.CQ	3074.00	1768.40	58
30.	2210.01.110.II.JJ	320.88	223.49	70
31.	2210.03.103.I.BL	1082.39	622.36	58

(Rupees in lakh)

Serial number	Head of account Scheme/Service	Total expenditure	Expenditure incurred in March 2000	Percentage of expenditure in March 2000 to total expenditure
32.	2210.03.110.I.BR	251.25	178.91	71
33.	2210.06.101.II.JU	193.60	193.60	100
34.	2210.06.101.VI.UG	351.40	276.90	79
35.	2211.200.II.JD	239.80	194.85	81
36.	2211.200.III.TF	762.88	430.13	56
37.	2215.01.102.II.PC	652.23	431.59	66
38.	2215.01.190.VI.UB	457.74	457.74	100
39.	2215.02.105.VI.UA	1308.76	894.27	68
40.	2216.80.103.I.AJ	335.20	222.88	66
41.	2217.01.191.II.PC	1018.00	1001.88	98
42.	2217.03.191.VI.UA	227.44	227.44	100
43.	2225.01.277.II.JX	200.00	200.00	100
44.	2225.01.277.II.JY	200.00	200.00	100
45.	2225.01.283.II.JA	1361.58	758.06	56
46.	2225.01.789.II.JA	775.04	775.00	100
47.	2225.01.800.II.JI	147.93	107.73	73
48.	2225.02.796.II.JI	128.40	128.40	100
49.	2225.02.800.I.AA	183.41	120.65	66
50.	2225.03.277.I.BN	141.37	139.01	98
51.	2225.80.800.II.JF	1556.18	1023.59	66
52.	2230.01.111.I.AD	2252.00	1752.00	78
53.	2235.02.101.I.BB	126.30	123.30	98
54.	2235.02.102.I.BJ	225.00	225.00	100
55.	2235.60.110.I.BU	2614.88	2330.10	89
56.	2235.60.200.I.BK	1497.40	1203.25	80
57.	2235.60.200.I.BL	242.97	142.25	59
58.	2401.108.VI.UC	192.43	125.68	65
59.	2401.110.II.JB	442.78	442.78	100
60.	2401.114.VI.UE	157.08	124.03	79
61.	2401.119.VI.UC	1111.64	581.29	52
62.	2401.800.I.AT	82605.00	82605.00	100
63.	2403.113.III.SB	177.58	168.15	95
64.	2415.01.004.II.JH	132.28	122.88	93
65.	2415.01.120.II.PC	1876.80	1234.00	66
66.	2425.108.I.AH	800.00	800.00	100
67.	2501.800.II.JA	218.75	125.75	57

(Rupees in lakh)

Serial number	Head of account Scheme/Service	Total expenditure	Expenditure incurred in March 2000	Percentage of expenditure in March 2000 to total expenditure
68.	2506.103.III.SA	217.95	170.02	78
69.	2515.800.II.JZ	202.11	202.11	100
70.	2851.103.I.AW	417.68	395.00	95
71.	2851.103.III.SG	210.00	207.16	99
72.	2851.103.VI.UA	274.44	274.44	100
73.	2851.103.VI.UG	278.49	242.31	87
74.	2851.105.I.AB	212.90	212.90	100
75.	2851.792.I.AA	296.05	296.05	100
76.	2885.01.101.II.JD	441.95	250.00	57
77.	3054.04.337.I.AG	538.89	446.26	83
78.	3054.80.800.I.AE	315.99	176.14	56
79.	3475.108.II.JB	112.52	112.52	100
80.	3475.800.II.JF	166.05	154.05	93
81.	3604.101.I.AA	142.93	113.44	79
82.	3604.200.I.AB	119.65	117.32	98
83.	3604.200.II.JA	6521.00	5264.30	81
84.	4059.01.051.II.JW	240.02	192.38	80
85.	4059.01.051.II.KB	356.54	351.33	98
86.	4211.108.III.SB	120.00	120.00	100
87.	4211.108.III.SC	108.28	108.28	100
88.	4217.190.II.JA	1596.00	1596.00	100
89.	4217.800.II.JB	227.72	142.81	63
90.	4225.01.190.II.JE	331.50	331.50	100
91.	4225.02.277.II.JM	252.00	150.00	60
92.	4551.01.106.II.JB	211.67	107.85	51
93.	4711.01.103.II.KL	413.44	407.45	99
94.	4801.101.II.JA	7500.00	7500.00	100
95.	5054.04.800.II.JA	537.33	282.82	53
96.	5054.05.337.VI.UA	420.25	246.53	59
97.	6003.104.I.AA	*284.68*	*284.68*	100
98.	6003.104.I.AB	*106.67*	*106.67*	100
99.	6003.105.I.AA	*424.43*	*424.43*	100
100.	6003.105.I.AC	*386.68*	*386.68*	100
101.	6003.109.I.AH	*259.56*	*259.56*	100
102.	6215.01.190.I.AA	242.22	242.22	100
103.	6215.01.191.II.JC	1000.00	1000.00	100

(Rupees in lakh)

Serial number	Head of account Scheme/Service	Total expenditure	Expenditure incurred in March 2000	Percentage of expenditure in March 2000 to total expenditure
104.	6215.02.190.II.PB	5253.00	3378.00	64
105.	6217.03.191.III.SA	257.33	257.33	100
106.	6416.195.II.JB	598.16	598.16	100
107.	6852.02.190.I.AE	170.56	170.56	100
	Total		**152975.20**	

Appendix X

(Reference: paragraph 2.6 (a); page 36)

Statement showing grant-wise details of expenditure incurred on schemes which constituted New Service/New Instrument of Service met by token provision and through reappropriation

(Rupees in lakh)

Serial number	Grant/ Appro-priation	Head of account Scheme/ Service	Budget provision	Reappro-priation	Expenditure
1.	Debt Charges	2049.01.101.I.AJ Tamil Nadu Government 4.5 *per cent* Loan, 1974	*0.01*	*0.02*	*108.92*
2.	Debt Charges	2049.60.101.I.AF Interest on Deposits of Chennai Corporation	*0.01*	*(-) 0.01*	*22.07*
3.	Debt Charges	2049.60.101.I.AO Interest on Deposits of Tamil Nadu Newsprints and Papers Limited	*0.01*	*(-) 0.01*	*21.32*
4.	42	2235.60.200.I.BX Relief and Rehabilitation measures to the Tamilians arriving from Bombay affected by violence	0.01	(-) 0.01	28.72
5.	60	4408.01.101.II.JB Share capital contribution to Tamil Nadu Civil Supplies Corporation Limited	0.01	86.99	87.00
6.	60	4217.60.190.II.JA Mass Rapid Transport System (MRTS) – Phase II	0.01	-	55.36
7.	60	5452.01.101.II.JG Lumpsum provision for Centrally Assisted Tourism Promotion Schemes	0.01	14.15	14.16
		Total			**337.55**

Appendix XI

(Reference: paragraph 2.6 (a); page 36)

Statement showing grant-wise details of expenditure incurred on schemes which constituted New Service/New Instrument of Service

(Rupees in lakh)

Serial Number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
1.	9	2070.105.I.BI One man commission under Justice Thiru S. Mohan, Retired Judge of Supreme Court to examine the claims of higher compensation in connection with damages with violent incidents after assassination of Thiru Rajiv Gandhi	-	-	12.40
2.	11	2053.094.I.CT Establishment for acquisition of land to set up a foundry grade PIG – IRON Project	-	-	92.86
3.	20	2551.01.101.III.SR Provision of infrastructural facilities at State Farms, Orchards	-	-	16.77
4.	20	2551.01.103.III.TH Construction of ponds for minor irrigation facilities under Western Ghat Development Programme	-	-	15.59
5.	20	2401.793.II.JA Increasing the production of Oil Seeds	-	-	12.76
6.	25	2851.103.III.SO Implementation of Integrated Handloom Village Development Programme	-	-	14.81
7.	27	2515.800.II.JR Construction of exhibition containing constructive programmes of Mahatma Gandhi at Gandhigram	-	-	519.22
8.	27	2515.001.II.JA New Divisional Development Offices	-	-	266.61
9.	27	3604.101.I.AB Matching grant to town panchayat on account of collections of tax on Agricultural land	-	-	89.36

(Rupees in lakh)

Serial Number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
10.	27	2515.102.I.AC Provision for street lights to weak Panchayats	-	-	32.74
11.	27	2515.800.II.JA Sammelans	-	-	31.00
12.	27	2515.800.II.JO Integrated Development of Adi Dravidar Habitations	-	-	26.81
13.	27	2515.102.II.KA Assistance to weak panchayats for provision of street lights	-	-	16.25
14.	29	2236.02.101.I.AF Nutrition Delivery Services	-	-	42.06
15.	29	2235.60.102.I.AI Pensions to distinguished persons and their dependants	-	-	16.76
16.	29	2235.02.102.I.AA Care of pre-school children in the age group of 2 to 5 years	-	-	13.13
17.	30	2225.02.800.I.AA Payments for funeral rites	-	-	184.21
18.	30	2225.01.277.I.AF Opening and maintenance of Government Residential Schools	-	-	37.95
19.	31	2225.03.277.II.JD Construction of Hostels for Scheduled Castes	-	-	23.03
20.	31	2225.03.277.II.JU Additional cost on account of increased rates of food charges	-	-	13.31
21.	32	2216.80.800.II.JM Payment to Housing and Urban Development Corporation Limited towards processing and Administrative fees for the Loans obtained for Government servants House Building Advances Scheme	-	-	50.00
22.	41	2235.60.102.I.AL Presentation of mementoes to Freedom fighters	-	-	17.35

(Rupees in lakh)

Serial Number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
23.	45	3604.200.I.AB Payments to Inamdars and other guarantee	-	-	119.65
24.	47	2851.102.II.KN Assistance to Tamil Nadu Industrial Investment Corporation towards State Capital subsidy to Industrial Units	-	-	14.39
25.	49	3604.200.I.AU Compensation grant in lieu of surcharge on sales tax to Village Panchayats	-	-	51.06
26.	49	3604.200.I.AT Compensation grant in lieu of surcharge on sales tax to Corporations, Municipalities, Town and Village Panchayats	-	-	16.00
27.	55	4059.01.051.II.KA Upgradation of standards of Administration recommended by the Tenth Finance Commission –Jail Department	-	-	45.16
28.	55	4059.01.051.II.KC District Administration	-	-	55.38
29.	55	4059.01.800.VI.UW Add- Percentage charges for establishment transferred from Major Head "2059.Public Works"	-	-	134.65
30.	55	4202.02.799.I.AA Suspense Account	-	-	42.15
31.	55	4401.800.II.JA Add – Percentage charges for Machinery and Equipment transferred from Major Head "2059. Public Works"	-	-	17.69
32.	55	4406.01.800.II.JF Add – Percentage charges for Establishment transferred from Major Head "2059. Public Works"	-	-	16.57
33.	55	4210.01.110.I.AA Buildings	-	-	11.27

(Rupees in lakh)

Serial Number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
34.	59	4851.102.II.KK Training-cum-Production centre for Scientific Glass	-	-	50.00
35.	60	4711.02.103.II.JD Construction of wall along Arabian Sea in Kanyakumari District	-	-	16.94
36.	61	7610.202.II.PC Loan to field staff under Agricultural component of World Bank assistance to Tamil Nadu Agricultural Development Project for the purchase of motor cycle/ Scooter/ Moped controlled by the Director of Agriculture	-	-	239.70
37.	61	7610.800.I.AB(12) Loans for marriages	-	-	178.11
		Total			**2553.70**

Appendix XII

(Reference: paragraph 2.6 (a); page 36)

Statement showing grant-wise details of expenditure incurred on schemes which constituted New Service/New Instrument of Service met by reappropriation

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
1.	14	2056.101.III.SA Modernisation of prisons	-	32.44	32.44
2.	54	4701.03.314.II.JA Reservoir	-	10.00	11.25
3.	54	4701.03.300.II.JA Formation of a Reservoir across Varattar Reservoir	-	2.28	10.39
4.	60	4711.02.103.VI.UA Anti-sea erosion works in Ennore Express way	-	14.41	19.42
5.	60	4711.01.103.II.KJ River improvements to protection walls of Adyar river	-	14.00	13.26
		Total			**86.76**

Appendix XIII

(Reference: paragraph 2.6 (b); page 36)

Statement showing the grant-wise details of schemes assisted by Central Government, where only token provision was made in the Budget Estimates

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
1.	17	2202.02.109.III.SA Improvement of Science Education in High/Higher Secondary Schools	0.01	(-) 0.01	23.24
2.	40	2245.02.107.I.AA Assistance for repairs and restoration of damaged Government Office Buildings	0.01	-	28.21
3.	58	4551.01.106.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	0.01	(-) 0.01	71.98
4.	58	4551.60.106.III.SB Forestry Programme including communication under Hill Area Development Programme	0.01	(-) 0.01	13.93
		Total			**137.36**

Appendix XIV

(Reference: paragraph 2.8; page 37)

Shortfall/Excess in recoveries exceeding Rs 1 crore

(Rupees in crore)

Serial Number	Number and title of grant	Estimated Recovery	Amount of excess (+)/ shortfall (-) as compared to estimates	Main reasons for the excess/shortfall
1.	8 Elections	0.04	(+) 2.36	Mainly due to substantial recovery made under the head of account "2015.105.I.AB. Election to Lok Sabha".
2.	11 District Administration	6.81	(+) 1.86	Mainly due to more recovery made under the head of account "2053.094.I.AG. Establishment for acquisition of Land for the Tamil Nadu Housing Board".
3.	12 Administration of the Tamil Nadu Hindu Religious and Charitable Endowments Act, 1959	15.97	(+) 18.69	Mainly due to more adjustment made under "Tamil Nadu Hindu Religious and Charitable Endowment Fund".
4.	15 Police	8.07	(+) 8.73	Mainly due to more recovery made under the heads of account "2055.108.I.AB. Law and Order", "2055.109.I.AA. District Police" and "2055.109.I.AL Commissioner of Police in Districts".
5.	17 Education	34.76	(+) 17.01	Mainly due to more recovery under the heads of account "2202.01.101.I.AC. Salaries to Panchayat Union Elementary School Teachers", "2202.01.102.II.JA Additional Enrolment of Pupils of the age group 6 to 11" and "2202.02.109.I.AA. General".

(Rupees in crore)

Serial Number	Number and title of grant	Estimated Recovery	Amount of excess (+)/ shortfall (-) as compared to estimates	Main reasons for the excess/shortfall
6.	20 Agriculture	34.62	(-) 26.43	Mainly due to less recovery made under the heads of account relating to procurement and distribution of paddy and millet seeds, various soil conservation works and in various Command Area Development Programmes.
7.	28 Labour including Factories	0.72	(+) 6.85	Mainly due to more recovery made under the heads of account "2230.01.103.AG. Social Security Scheme for unorganised labourers below poverty line" and "2230.01.111.I.AE. Financial assistance to the workers affected due to the closure of factories".
8.	29 Social Welfare	0.79	(+) 4.71	Mainly due to more recovery made under the heads of account "2235.60.800.I.AA. Lumpsum provision for Dearness Allowance and other allowances" and "2235.60.800.AJ. Reimbursement of loss due to issue of bus passes to freedom fighters".
9.	30 Welfare of the Scheduled Tribes and Castes, etc.	0.97	(+) 9.93	Mainly due to more recovery made under the head of account "2225.01.277.III.SA. Educational Concessions and adjustment made under Tamil Nadu Special Welfare Fund" against "Nil" Budget Estimate.
10.	31 Welfare of the Backward Classes, Most Backward Classes and Denotified Communities	0.50	(+) 1.85	Mainly due to recovery made under the head of account relating to "post Matric scholarships to Backward Classes and Most Backward Classes" against "Nil" Budget Estimates.

(Rupees in crore)

Serial Number	Number and title of grant	Estimated Recovery	Amount of excess (+)/ shortfall (-) as compared to estimates	Main reasons for the excess/shortfall
11.	32 Housing	0.04	(+) 1.40	Mainly due to recovery made under the Head of Account "2216.80.800. II.JF. Assistance For reconstruction of fully damaged houses other than in Flood/Cyclones" against "Nil" budget Estimates and adjustment made under "Tamil Nadu Special Welfare Fund" against "Nil" Budget Estimates.
12.	35 Irrigation	24.00	(+) 31.55	Mainly due to adjustment made towards Establishment charges transferred on pro-rata basis from "2701. Major and Medium Irrigation" against "Nil" Budget Estimate.
13.	36 Public Works - Buildings	27.48	(+) 2.85	Mainly due to more adjustment made towards Establishment charges transferred on percentage basis to various Capital Major heads.
14.	40 Relief on account of Natural calamities	3.12	(+) 65.51	Due to more adjustment made under Calamity Relief Fund.
15.	42 Miscella-neous	0.14	(+) 3.32	Mainly due to recovery made under the heads of account "2047.103.I.AI. Investors Incentive Scheme", "2075.103.I. AC. Payment of Raffle Prize Money" and "2235.60.800.I.AS. Receipt for Government of India National Special assistance Fund".
16.	43 Stationery and Printing	3.06	(+) 1.26	Mainly due to more recoveries made from other Government departments towards the cost of printing works done for them.

(Rupees in crore)

Serial Number	**Number and title of grant**	**Estimated Recovery**	**Amount of excess (+)/ shortfall (-) as compared to estimates**	**Main reasons for the excess/shortfall**
17.	47 Rural Industries	0.43	(+) 3.18	Mainly due to recoveries made under the heads of account "2885.01.101. II.JD. Assistance to Tamil Nadu Industrial Investment Corporation towards share capital subsidy to Industrial Units" and "2885.01.101. II.JE. Assistance to Tamil Nadu Industrial Investment Corporation for creation of Technology Development Fund" against "Nil" Budget Estimates.
18.	49 Municipal Administration	0.08	(+) 1.78	Mainly due to more recovery made under the head of account "2217.80.001.I.AC. Director of Municipal Administration".
19.	52 Capital outlay on Agriculture	3.41	(+) 2.68	Mainly due to adjustment made under "5054.80. 902.I.AA. Deduct – Expenditure met from Reserve Fund" (Rs 6.08 crore) partly offset by non-adjustment under Sugar Cane Cess Fund (Rs 3.41 crore).
20	60 Miscellaneous Capital outlay	2.40	(+) 828.08	Due to adjustment made under the head of account "4801.80.101.I.AC. Deduct – Receipts and Recoveries on Capital Account" pertaining to conversion of equity share as Tariff compensation and subsidy in respect of Tamil Nadu Electricity Board.

Appendix XV

(Reference: paragraph 3.1.4.2; page 42)

Quality of water in the water sources in Local Bodies

Year	Name of water source	Number of water samples collected	Result of analysis	
			Good	Bad
1994-95	Rivers	61	-	61
	Draw-well	222	82	140
	Others	416	156	260
	Total	**699**	**238**	**461**
				(66 *per cent*)
1995-96	Rivers	58	1	57
	Lake and Reservoir	24	5	19
	Draw-well	201	76	125
	Others	596	296	300
	Total	**879**	**378**	**501**
				(57 *per cent*)
1996-97	Rivers	105	3	102
	Lake and Reservoir	29	6	23
	Draw-well	290	108	182
	Others	570	254	316
	Total	**994**	**371**	**623**
				(62 *per cent*)
1997-98	Rivers	111	8	103
	Lake and Reservoir	34	3	31
	Draw-well	337	102	235
	Others	520	215	305
	Total	**1002**	**328**	**674**
				(67 *per cent*)
1998-99	Rivers	119	6	113
	Lake and Reservoir	18	4	14
	Draw-well	271	111	160
	Others	594	278	316
	Total	**1002**	**399**	**603**
				(60 *per cent*)

Appendix XVI

(Reference: paragraph 3.2.3; page 54)

Details of Directorates implementing Family Welfare Programme and the functions attached to them

Serial Number	Name of the Directorate	Functions attached
1	Directorate of Family Welfare	Separate Directorate was formed in May 1994.
2	Directorate of Public Health and Preventive Medicine	Administration of Primary Health Centres and Health Sub-Centres – implementation of MCH activities.
3	Directorate of Medical Education	Responsibility of implementation of teaching, training and research programmes in Medical field – Posting of Medical Officers and other staff to Post Partum Centres attached to teaching hospitals, etc.
4	Directorate of Medical and Rural Health Services	Planning and execution of all programmes of Medical Services —Posting of Medical Officers and other staff to Post Partum Centres attached to District Hospitals, Taluk Hospitals, non-Taluk Hospitals, etc.
5	Project Directorate, DANIDA Tamil Nadu Area Health Care Project	Improving and strengthening the facility for delivery of health and family welfare services in an integrated manner in accordance with NHP. This project is being implemented from August 1981 in 3 phases; under implementation in 8 districts of Salem, Namakkal, Cuddalore, Villupuram, Dharmapuri, Thanjavur, Nagapattinam and Thiruvavur.
6	Project Directorate, Reproductive and Child Health	This project is an integrated and comprehensive programme, incorporating the components covered under Child Survival and Safe Motherhood Programme. Sub Project implemented in two districts of Madurai and Theni.
7	Commissionerate of Maternal and Child Health and Welfare	Post created in November 1997 to coordinate the activities of various departments involved in Maternal and Child Health Care.
8	Tamil Nadu Medical Services Corporation Limited	Purchasing, storing and distributing high quality drugs, medicines, etc.
9	Directorate of Municipal Administration	Administrative control of Urban Health Posts.

Appendix XVII

(Reference: paragraph 3.2.6.1 (ii); page 58)

Couple protection rate in 14 districts

Serial Number	District	Couple protection rate as of March			
		1996	1997	1998	1999
1.	Cuddalore	51.3	47.7	46.7	45.7
2.	Dharmapuri	46.6	44.9	44.2	41.2
3.	Erode	50.6	50.1	50.1	48.1
4.	Karur	45.2	43.9	40.8	38.4
5.	Nagapattinam	47.2	46.1	46.1	43.9
6.	Namakkal	45.5	44.0	45.0	43.0
7.	Perambalur	45.2	43.9	41.5	39.2
8.	Pudukkottai	51.6	50.5	50.1	47.4
9.	Salem	45.5	44.0	43.4	41.5
10.	Thanjavur	49.1	47.4	47.3	44.4
11.	Thiruvarur	47.2	46.1	46.2	45.0
12.	Tiruchirappalli	45.2	43.9	41.3	38.9
13.	Villupuram	51.3	45.9	45.3	44.6
14.	Virudhunagar	53.2	52.1	50.9	47.8

Couple protection rate in the State as of March

1996	1997	1998	1999
54.1	52.9	52.3	50.2

Appendix XVIII

(Reference: paragraph 3.2.6.2; page 58)

Achievement under Family Planning Methods

(In numbers)

Serial Number	Method		1995-96	1996-97	1997-98	1998-99	1999-2000
1.	Sterilisation						
	(i) Vasectomy	Rural	126	62	40	201	*
		Urban	277	208	134	374	*
		Total (A)	403	270	174	575	446
	(ii) Tubectomy	Rural	149312	202928	196220	187219	*
		Urban	119961	112820	100715	107438	*
		Total (B)	269273	315748	296935	294657	327850
	(iii) Laparoscopy	Rural	31488	*	28454	32128	*
		Urban	8763	*	7428	9400	*
		Total (C)	40251	*	35882	41528	45399
	Total	Rural	180926	202990	224714	219548	*
		Urban	129001	113028	108277	117212	*
		Total (A+B+C)	**309927**	**316018**	**332991**	**336760**	**373695**
2.	IUD Insertion	Rural	271261	259748	298336	295947	*
		Urban	130704	124190	110819	122201	*
		Total	401965	383938	409155	418148	439144
3.	OP users		216340	168283	192416	188814	204214
4.	CC users		276288	208328	188895	257475	274502

* Break-up as to Rural and Urban for sterilisation and IUD insertions during 1999-2000 is not available.

Appendix XIX

(Reference: paragraph 3.2.6.3 (d); page 60)

Achievement under Maternal and Child Health Care Activities

(In lakh beneficiaries)

Particulars		1995-96		1996-97		1997-98		1998-99		1999-2000	
		T	A	T	A	T	A	T	A	T	A
I Prophylaxis against Nutritional Anaemia	WOMEN	11.78	3.10	12.63	11.04	13.47	14.99	13.79	5.10	12.18	10.76
	CHILDREN	26.92	22.05	30.39	16.57	30.72	17.70	31.42	18.36	30.72	21.69
II Prophylaxis against blindness due to Vitamin 'A' deficiency											
Dose I		35.89	39.78	36.47	23.61	36.93	30.70	62.83	33.55	61.44	36.08
Dose II		35.89	32.60	36.47	38.44	36.93	34.91	62.83	11.59	61.44	24.26

III Immunisation

(In lakh beneficiaries)

Name of vaccine	1995-96			1996-97			1997-98			1998-99			1999-2000		
	T	A	%	T	A	%	T	A	%	T	A	%	T	A	%
TT (EM)	11.78	12.22	104	12.63	12.65	100	13.47	13.37	99	13.79	13.22	96	12.18	13.48	111
DPT	10.78	11.61	108	11.46	11.88	104	12.23	12.63	103	12.53	12.54	100	11.08	12.61	114
Polio	10.78	11.75	109	11.46	11.93	104	12.23	12.62	103	12.53	12.57	100	11.08	12.65	114
BCG	10.78	13.20	122	11.46	13.43	117	12.23	13.85	113	12.53	13.69	109	11.08	13.70	124
Measles	10.78	11.31	105	11.46	11.64	102	12.23	12.33	101	12.53	12.44	99	11.08	12.17	110
TT (10)	11.54	8.26	72	11.98	8.32	70	12.15	10.04	83	12.36	12.32	99	12.36	12.55	102
TT (16)	11.25	6.40	57	11.67	6.56	56	11.84	9.63	81	12.05	10.39	86	12.05	10.96	91

T – Target; A – Achievement; % - Percentage

Appendix XX

(Reference: paragraph 3.2.14.3; page 68)

Details of funds released to Tamil Nadu Medical Services Corporation by Project Director, TNAHCP

Serial Number	Component	Amount (Rupees in lakh)	Month of release	Remarks
1.	Improvement of selected PHCs in Thanjavur, Thiruvarur and Nagapattinam and for provision of equipment	150.00	March 1999	The works were at estimation stage as of March 2000. For equipment, tenders were called for.
2.	Upgrading the existing computer system at 23 Drug Warehouses of TNMSC	18.00	December 1998	Proposals were approved and purchase orders were issued.
3.	Purchase and repair of IEC/HEC equipment	10.00	December 1998	Basic particulars called for from Health field units are yet to be received as of March 2000.
4.	Construction of Drug warehouses for TNMSC at Dharmapuri	174.50	January 1998	Out of Rs 245 lakh earmarked, Rs 90 lakh alone were utilised upto March 2000 on construction work. Rupees 29.50 lakh being the amount earmarked for furniture and other recurring expenses were yet to be utilised as the works were at tender/work order stage only.
5.	Improvements and physical infrastructure to Institute of Vector Control and Zoonoses at Hosur	82.00	January 1999	Plans for construction of library was just approved. Raising of columns were in progress and materials were collected. An amount of Rs 5 lakh out of Rs 35 lakh earmarked for construction of library was utilised. The remaining amount of Rs 47 lakh given for the purchase of equipment (Rs 20 lakh), Furniture (Rs 3 lakh) and towards repairs and replacements (Rs 24 lakh) was yet to be utilised as the lists were being finalised only now.
6.	Improvements to selected PHC in Dharmapuri and Krishnagiri	70.00	March 1999	Survey for repairs to PHCs completed by Architects. Estimates submitted. Tenders to be called for.
7.	Renovation of PHCs at Marandahalli (Buildings: Rs 20 lakh and Equipment: Rs 15 lakh)	35.00	January 1999	Works completed upto roof level. Rupees 12 lakh utilised out of Rs 20 lakh allotted for building. Requirement of equipment awaited.
8.	Carrying out minor repairs in physical infrastructure and equipment and new purchases	25.00	January 1999	Proposals were under examination.

Appendix XXI

(Reference: paragraph 3.2.17.1; page 69)

Details of irregular expenditure on items not qualified for Central assistance

	Nature of expenditure	Expenditure incurred		Remarks
		Amount (Rs in crore)	Period	
(i)	Travelling allowance	5.08	1996-97 to 1998-99	Compensation amount for sterilisation fixed by GOI had no element towards TA. GOI had also specifically directed (January 1996) that funds released under compensation should not be used for salaries of staff, payment of TA, etc.
(ii)	Travel expenses	7.82	1995-96 to 1998-99	No provision existed, in the pattern of assistance prescribed, to incur expenditure on travel expenses by DFWB, UFWC and RFWC.
(iii)	Travelling allowance	1.10	1996-97 to 1998-99	Though there was no provision to incur expenditure on TA, State Government directed (November 1995) that a flat rate TA be paid (i) at Rs 50 for each delivery conducted by VHN in any place within her jurisdiction other than at PHC (ii) at Rs 25 each per delivery, for the deliveries conducted at PHCs, to the VHN and ANM of the PHC and (iii) at Rs 25 to VHN/ANM for each pregnant women referred to the nearest FRU after assessing the complications of the pregnancy case. This amount should have been met from State funds.
	Total	**14.00**		

Appendix XXII

(Reference: paragraph 3.3.5.5; page 78)

Details showing the number of samples analysed and number of samples found adulterated

Sl. No.	Category of food	1995-96			1996-97			1997-98			1998-99		
		Number of samples		Percentage of adulteration	Number of samples		Percentage of adulteration	Number of samples		Percentage of adulteration	Number of samples		Percentage of adulteration
		Analysed	Adulterated		Analysed	Adulterated		Analysed	Adulterated		Analysed	Adulterated	
1.	Beverages	270	20	7.4	185	9	4.9	170	11	6.5	223	10	4.5
2.	Spices and Condiments	1563	80	5.1	1124	48	4.3	873	40	4.6	585	21	3.6
3.	Sweetening agent	1060	21	2.0	783	10	1.3	489	14	2.9	366	4	1.1
4.	Tea, Coffee, Chicory	2061	41	2.0	1370	49	3.6	957	45	4.7	631	7	1.1
5.	Milk	698	222	31.8	446	158	35.4	335	117	34.9	244	82	33.6
6.	Butter, Ghee, Ice creams and other Milk products	127	36	28.3	77	13	16.9	93	28	30.1	38	5	13.2
7.	Edible oils, Fats and Vanaspathy	1819	68	3.7	1305	28	2.1	1026	25	2.4	693	28	4.0
8.	Cereals and cereal products	3379	79	2.3	2382	59	2.5	1843	43	2.3	1305	30	2.3
9.	Fruit products	22	5	22.7	27	9	33.3	25	4	16.0	13	3	23.1
10.	Sweets, confectionery and other bakery products	145	6	4.1	112	1	0.9	127	4	3.1	60	5	8.3
11.	Other miscellaneous items	503	51	10.1	523	66	12.6	449	44	9.8	248	17	6.9
	Total	**11647**	**629**	**5.4**	**8334**	**450**	**5.4**	**6387**	**375**	**5.9**	**4406**	**212**	**4.8**

Appendix XXIII

(Reference: paragraph 3.4.7; page 88)

List of schemes implemented by the Rural Development Department

CENTRALLY SPONSORED SCHEMES

1. Employment Assurance Scheme (EAS)
2. Jawahar Rozgar Yojana (JRY)
3. Million Well Scheme (MWS)
4. Indira Awaas Yojana (IAY)
5. Integrated Rural Development Programme (IRDP)
6. Development of Women and Children in Rural Areas (DWCRA)
7. Ganga Kalyan Yojana (GKY)
8. Central Rural Sanitation Programme (CRSP)
9. Training of Rural Youth in Self Employment (TRYSEM)

CENTRAL PLAN SCHEMES

1. National Project on Bio-gas Development (NPBD)
2. National Project on Improved Chulahs (NPIC)
3. Member of Parliament Local Areas Development (MPLAD)

STATE PLAN SCHEMES

1. Anna Marumalarchi Thittam (AMT)
2. Namakku Naame Thittam (NNT)
3. Decentralised District Planning (DDP)
4. Member of Legislative Assembly Constituency Development (MLACD)
5. State Finance Committee (grants to local bodies)

Appendix XXIV

(Reference: paragraph 3.4.7.1 (b) (iii); page 90)

Statement showing target and achievement of Model Village Scheme under Sanitation Programme for the period from 1995-96 to 1999-2000

Sl. No	Item of Works	Athipalayam (Karur Dt.)		Munnur (Karur Dt.)		Elavanasur kottai (Villupuram Dt.)		Peravurani Town Panchayat (Thanjavur Dt.)		Julluthipet (Salem Dt.)		Danishpet (Salem Dt.)		Gandarva-kottai (Pudukkottai Dt.)		Total	
		Target	Achieve-ment	Target	Achieve-ment	Target	Achieve-ment	Target	Achieve-ment	Target	Achieve-ment	Target	Achieve-ment	Target	Achiev-ement	Target	Achiev-ement
1.	Individual House Hold Latrines	132	132	52	52	1525	419	2200	513	206	206	1096	407	1691	147	6902	1876
2.	Institutional Latrines	2	2	2	2	14	14	10	10	1	1	5	5	0	0	34	34
3.	Sanitary Complexes for women	0	0	0	0	3	3	0	0	0	0	0	0	0	0	3	3
4.	Construction of drains (Mts.)	1100	350	1755	550	15200	11857	450	450	0	0	0	0	0	0	18505	13207
5.	Garbage pits	4	4	3	3	9	2	5	5	5	5	40	40	52	52	118	111
6.	Bathing/Washing platforms and	3	3	3	3	0	0	20	20	5	5	24	24	17	17	72	72
7.	Paving of lanes (Sq.mts)	2400	1500	2450	1200	0	0	0	0	670	670	975	975	0	0	6495	4345
8.	Other items of works (Culverts, Dust bins)	4	1	0	0	42	42	0	0	0	0	0	0	0	0	46	43

Dt: District

Appendix XXV

(Reference: paragraph 3.4.8.2; page 94)

Advance paid to Tamil Nadu Steels, Arakonam

Sl. No.	DRDA	Name of Scheme	Advance payment made (Rupees)	Year
1.	Vellore	JRY	2,08,896	1996-97
2.	Vellore	IAY	5,06,300	1996-97
3.	Vellore	DDP	36,266	1996-97
4.	Vellore	JRY	10,36,000	1997-98
5.	Vellore	IAY	17,00,000	1997-98
6.	Vellore	EAS	13,66,000	1997-98
7.	Vellore	DDP	2,27,927	1997-98
8.	Madurai	IAY	5,68,757	1997-98
9.	Erode	IAY	3,09,201	1997-98
10.	Villupuram	IAY	23,60,000	1995-96
	Total		**83,19,347**	

Appendix XXVI

(Reference: paragraph 3.5.5; page 100)

Details of shortfall in achievement (Phase I and II)

(Rupees in crore)

Nature of activity	Total Budget provision from 1994-95 to 1999-2000	Expenditure (achievement) till 31 March 2000	Shortfall	Percentage of shortfall to Budget
Block Resource Centre	23.91	15.43	8.48	35.5
Cluster Resource Centre	6.02	2.64	3.38	56.1
District Institute of Education and Training	3.60	1.86	1.74	48.3
Early Childhood Care and Education	0.52	0.05	0.47	90.4
Media	3.06	1.31	1.75	57.2
Management	7.77	7.09	0.68	8.7
Management Information System	1.73	0.91	0.82	47.4
Non Formal Education	6.11	2.69	3.42	56.0
Primary Formal Education	96.94	87.24	9.70	10.0
Training	1.16	0.31	0.85	73.3
Women Development Programme	1.12	0.77	0.35	31.3
State Council for Education	5.32	2.36	2.96	55.6
Text Book	0.87	0.62	0.25	28.7
State Institute of Management	0.25	0.17	0.08	32.0
	158.38	**123.45**	**34.93**	**22.0**

Appendix XXVII

(Reference: paragraphs 3.5.6.3 and 3.5.6.4(i) ; pages 103 and 104)

Enrolment details of Children

District	Year	Total population of school age children (6-11) years	Total number of children enrolled in I to V standard	Percentage of boys enrolled	Percentage of girls enrolled	Number of pupils enrolled <6 years	Number of pupils enrolled >11 years	Total number of pupil in primary sections in the age group (6-11) (col. 4-(7+8))	Gross Enrolment Ratio (GER)	Net Enrolment Ratio (NER)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Cuddalore	1995-96	274604	222178	50.5	49.5	28856	3264	190058	80.9	69.2
	1996-97	272708	218612	50.4	49.6	28611	2875	187126	80.2	68.6
	1997-98	274581	217412	50.0	50.0	34390	2672	180350	79.2	65.7
	1998-99	274727	217046	49.7	50.3	30934	2597	183515	79.0	66.8
	1999-2000	274837	214890	49.6	50.4	33587	2119	179184	78.2	65.2
Villupuram	1995-96	409208	330282	NA	NA	40224	7926	282132	80.7	68.9
	1996-97	374546	324815	52.0	48.0	45896	5739	273180	86.7	72.9
	1997-98	381953	326407	51.9	48.1	53073	4015	269319	85.5	70.5
	1998-99	380953	324279	51.2	48.8	51281	3867	269131	85.1	70.6
	1999-2000	385181	328274	50.8	49.2	53440	3190	271644	85.2	70.5

NA: Not available
GER: (Col.4/Col.3) x 100
NER: (Col.9/Col.3) x 100

2-24—41

Appendix XXVII (concld.)

District	Year	Total population of school age children (6-11) years	Total number of children enrolled in I to V standard	Percentage of boys enrolled	Percentage of girls enrolled	Number of pupils enrolled <6 years	Number of pupils enrolled >11 years	Total number of pupil in primary sections in the age group of (6-11) (col. 4-(7+8))	Gross Enrolment Ratio (GER)	Net Enrolment Ratio (NER)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Dharmapuri	1995-96	351679	283152	53.4	46.6	47604	2751	232797	80.5	66.2
	1996-97	324410	287723	53.1	46.9	51377	3994	232352	88.7	71.6
	1997-98	329324	288686	53.0	47.0	55730	2580	230376	87.7	69.9
	1998-99	350231	295508	53.0	47.0	54735	2348	238425	84.4	68.1
	1999-2000	357513	299258	53.0	47.0	56581	2219	240458	83.7	67.3
Tiruvannamalai	1995-96	274368	243497	51.4	48.6	34524	3104	205869	88.7	75.0
	1996-97	271617	239897	51.3	48.7	43372	1464	195061	88.3	71.8
	1997-98	275246	239547	51.1	48.9	43372	1464	194711	87.0	70.7
	1998-99	274151	238342	51.0	49.0	42365	1949	194028	86.9	70.8
	1999-2000	275287	231530	50.8	49.2	40363	1634	189533	84.1	68.8
Pudukkottai	1996-97*	178143	149669	52.0	48.0	22934	2185	124550	84.0	69.9
	1997-98	179844	148969	51.0	49.0	25074	2342	121553	82.8	67.6
	1998-99	NA	150339	51.0	49.0	23042	2311	124986	96.6	80.0
	1999-2000	177674	147197	51.0	49.0	24004	1525	121668	82.8	68.5

NA: Not available
GER: (Col.4/Col.3) x 100
NER: (Col.9/Col.3) x 100

* Project commenced in the year 1997

Appendix XXVIII

(Reference: paragraph 3.5.6.4(i); page 104)

Trend of Gross Enrolment Ratio and Net Enrolment Ratio

District	Gross Enrolment Ratio (GER)					Net Enrolment Ratio (NER)				
	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-96	1996-97	1997-98	1998-99	1999-2000
Dharmapuri	81	89	88	84	84	66	72	70	68	67
Tiruvannamalai	89	88	87	87	84	75	72	71	71	69
Cuddalore	81	80	79	79	78	69	69	66	67	65
Villupuram	81	87	86	85	85	69	73	71	71	71
Pudukkottai	NA	84	83	97	83	NA	70	68	80	69

NA: Not available

Appendix XXIX

(Reference: paragraph 3.19; page 125)

Cases of misappropriation pending action as on 30 June 2000

(i) Department-wise analysis

(Rupees in lakh)

Sl. No.	Department	Number of cases	Amount
1.	Agriculture	37	50.81
2.	Commercial Taxes and Religious Endowments	7	3.78
3.	Co-operation, Food and Consumer Protection	1	0.14
4.	Education	27	18.31
5.	Environment and Forests	2	0.41
6.	Finance	7	6.97
7.	Handloom, Handicrafts, Textiles and Khadi	4	1.17
8.	Health, Indian Medicine and Homoeopathy and Family Welfare	30	35.68
9.	Home	4	8.13
10.	Information and Tourism	1	0.77
11.	Labour and Employment	3	0.19
12.	Revenue	320	50.60
13.	Social Welfare and Nutritious Meal Programme	7	2.76
14.	Rural Development	11	12.19
15.	Transport	1	0.03
16	Public	1	1.92
		463	**193.86**

(ii) Year-wise analysis

(Rupees in lakh)

Year	Number of cases	Amount
Upto 1995-96	383	134.77
1996-97	18	2.82
1997-98	34	31.85
1998-99	18	10.64
1999-2000	10	13.78
Total	**463**	**193.86**

2-24—41a

Appendix XXX

(Reference: paragraph 3.19; page 126)

Cases of shortages etc., reported to Audit

(i) Department-wise analysis

(Rupees in lakh)

Sl. No.	Department	Number of cases	Amount
1.	Agriculture	223	111.38
2.	Animal Husbandry and Fisheries	42	5.23
3.	Backward classes	1	0.02
4.	Education	26	4.17
5.	Environment and Forests	11	6.14
6.	Finance	6	6.15
7.	Handlooms, Handicrafts, Textiles and Khadi	4	1.29
8.	Health, Indian Medicine and Homoeopathy and Family Welfare	31	24.08
9.	Home	1	0.50
10.	Labour and Employment	8	3.15
11	Public	1	0.03
12	Public Works	7049	2831.53
13	Revenue	11	1.75
14	Rural Development	11	6.84
	Total	**7425**	**3002.26**

(ii) Year-wise analysis

(Rupees in lakh)

Year	Number of cases	Amount
Upto 1995-96	2123	274.20
1996-97	2734	1403.38
1997-98	1967	645.13
1998-99	472	471.69
1999-2000	129	207.86
Total	**7425**	**3002.26**

Appendix XXXI

(Reference: paragraph 3.21; page 127)

Inspection Reports issued to various offices upto December 1999 and pending as at the end of June 2000

Year	Number of Inspection Reports	Number of Paragraphs
1983-84	3	10
1984-85	2	8
1985-86	4	14
1986-87	31	53
1987-88	66	120
1988-89	59	132
1989-90	140	276
1990-91	246	500
1991-92	243	512
1992-93	371	1077
1993-94	405	952
1994-95	386	1084
1995-96	489	1572
1996-97	611	2083
1997-98	668	2656
1998-99	426	2632
1999-2000 (upto December 1999)	391	2286
	4541	**15967**

Appendix XXXII

(Reference: paragraph 3.21; page 127)

Serious irregularities pending settlement as of June 2000

(Rupees in lakh)

Serial Number	Nature of Irregularities	Number of paragraphs	Amount
I	**HOME (POLICE) DEPARTMENT**		
1.	Guard charges	38	10839.91
2.	Temple Protection Force Collection	13	434.21
3.	Non-recovery of electricity/water charges and rent	57	141.03
4.	Motor transport vehicles kept idle	3	4939.02
5.	Supply of furniture and non-adjustment of 100 *per cent* advance	3	238.04
6.	Locking up of Government money - non-supply of water canons	5	56.80
7.	Non-utilisation of grant	1	61.25
8.	Excess payment on purchase of arms and ammunitions, etc.	7	27.26
9.	Delay/poor construction	2	2013.26
10.	Temporary advance pending	1	8300.85
11.	Avoidable expenditure	3	19.46
	Total	**133**	**27071.09**
II	**PUBLIC WORKS DEPARTMENT**		
1.	Excess payments	74	686.52
2.	Want of sanction	30	203.26
3.	Irregular expenditure to be recovered	23	555.30
4.	Expenditure to be ratified by Government/Chief Engineer	79	837.83
5.	Infructuous expenditure	7	153.56
6.	Recovery on salary payment	76	50.19
7.	Loss, shortages, theft, stock not handed over etc.	98	683.43
8.	Recovery from contractors	59	979.63
9.	Advance payment pending adjustment	61	935.17
10.	Miscellaneous recoveries/objections	851	4786.22
	Total	**1358**	**9871.11**

Appendix XXXIII

(Reference: paragraph 6.1.1; page 143)

Objectives of the Urban Employment Generation Programme

Serial Number	Name of the Programme	Objectives	Implemented in the State in
(i)	NRY	To provide employment through Scheme of Urban Micro Enterprises (SUME), Scheme of Urban Wage Employment (SUWE) and Scheme of Housing and Shelter Upgradation (SHASU) through creation of socially and economically useful assets and shelter upgradation. SUME and SHASU also envisaged imparting of training to beneficiaries.	Six Municipal Corporations, 102 Municipalities and two Town Panchayats. Subsequently on introduction of PMIUPEP, this was withdrawn in 38 Municipalities.
(ii)	PMIUPEP	To provide basic physical and social amenities to urban poor, self-employment generation and skill development and training, to improve the environment and surroundings in low income neighbourhood areas as well as in situ development of urban slums and to provide financial support in the form of loan and subsidy to the urban poor for shelter upgradation.	38 Municipalities and three Town Panchayats.
(iii)	UBSP	To achieve significant improvement in the quality of life of the urban poor through community organisation and mobilisation, improvement of communities etc., to enhance the reach and effectiveness of the existing sectoral programmes. However the scheme did not contain any specific programme for generation of employment.	23 Municipalities and 2 Municipal Corporations. During 1995-96, 10 Municipalities which were selected for the implementation of another scheme PMIUPEP were excluded and in lieu of that 7 other Municipalities and 3 Corporations were included.
(iv)	SJSRY	To provide employment through Urban Self Employment Programme (USEP) including training, Development of Women and Children in Urban areas (DWCUA) and Urban Wage Employment Programme (UWEP). This programme also seek for creation of suitable community structures and delivery of inputs through the medium of urban local bodies and such community structure.	All Urban local bodies (ULBs) (i.e.) six Municipal Corporations, 102 Municipalities and 636 Town Panchayats.
(v)	PMRY	To set up micro-enterprises and to impart training to educated unemployed youth in Industries, Services and Business sectors for generation of self – employment.	All districts.

Appendix XXXIV

(Reference: paragraph 6.1.4.2; page 144)

Financial Target and achievement

(Rupees in crore)

Year	Nehru Rozgar Yojana (NRY) (upto 30.11.1997)			Prime Ministers Integrated Urban Poverty Eradication Programme (PMIUPEP) (upto 30.11.1997)		Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) (from 01.12.1997)			Prime Minister's Rozgar Yojana (PMRY)	
	Allocation	Release	Expenditure	Release	Expenditure	Allocation	Release	Expenditure	Release	Expenditure
1995-96	GOI 5.82	2.84	6.61	10.46					0.29	0.29
	GTN 3.88	9.46		-						
1996-97	GOI 5.81	7.63	5.64	6.47					1.75	1.75
	GTN 3.88	8.61		9.71						
1997-98	GOI 6.47	2.81		3.98	5.40*		75.15@		1.56	1.56
	GTN 4.31	1.49		8.00						
1998-99				1.65		GOI 17.24	22.79	72.60**	1.37	1.04
						GTN 5.75	5.94			
1999-2000						GOI 16.56	4.58	18.60	1.70	0.51
						GTN 5.52	2.78			
Total	**30.17**	**32.84**	**12.25**	**40.27**	**5.40**	**45.07**	**111.24**	**91.20**	**6.67**	**5.15**

* Yearwise break-up details not available.

@ Amount transferred from the old schemes.

** Expenditure met out of Rs 75.15 crore being the unspent balance transferred to SJSRY.

2-24—42

Appendix XXXV

(Reference: paragraph 6.1.5; page 147)

Guidelines under various Urban Employment Generation Programme (As effective from 1995-96 to 1999-2000)

Programmes

SL No.		NRY	PMIUPEP	SJSRY	PMRY
1.	Target Group	Urban poor below poverty line – income less than Rs.11850 per annum per family, women, SC and ST. Special Target group: 30 *per cent* of beneficiaries is expected to be women.	Urban poor below poverty line with an annual household income below Rs.11,850, the fact supported by survey.	Urban poor below poverty line with special attention to SC/ST and women. 30 *per cent* of beneficiaries to be women and 3 *per cent* allocation for disabled.	Any unemployed person with age between 18 and 35 (maximum age limit relaxed to 45 years for SC/ST from 1999-2000) with family income not more than Rs 24000 per annum.
2.	Identification of beneficiaries	Through household surveys by the ULBs.	Through household survey and with reference to economic and non-economic parameters laid down by the Planning Commission.	Through survey and with reference to economic and non-economic parameters laid down in the scheme.	By calling for application from eligible persons through advertisement and selection by Task Force Committee after scrutiny.

Appendix XXXV (concld.)

SL No.		NRY	PMIUPEP	SJSRY	PMRY
3.	Subsidy element - ceiling on unit cost	SUME 25 *per cent* of the project to a ceiling of Rs.4000 for general and Rs.5000 for SC/ST beneficiaries. TRAINING AND INFRASTRUCTURE: Rs.1200 (Average) per trainee. SHASU 25 *per cent* per unit subject to a ceiling of Rs.1000 and ceiling for institutional finance Rs.9950 SHASU TRAINING (Average) Rs.1500 per trainee	SELF EMPLOYMENT 15 *per cent* of the project cost subject to a ceiling of Rs.7500 per beneficiary. Maximum project cost Rs 1,00,000 TRAINING: Rs 2000 (Average) per trainee SHELTER UPGRADATION 25 *per cent* of unit cost subject to a ceiling of Rs 2500 per unit. Loan component 75 *per cent* subject to maximum Rs 10,000 and margin money 5 *per cent*.	USEP 15 *per cent* subject to a ceiling of Rs.7500 per beneficiary. TRAINING Rs.2000 per trainee	SELF EMPLOYMENT: 15 *per cent* of project cost subject to ceiling of Rs.7500. Ceiling on project cost Rs.100000. TRAINING Rs.750 (average) per trainee
4.	Wage Rate Payable	Prevailing minimum wage applicable.		UWEP : Applicable to ULBs with population less than 5 lakh. Minimum wage rate as notified from time to time.	
5.	Execution of Works	Wage Employment : By listed urban poor beneficiaries or group of beneficiaries organised into association/guilds cooperatives. SHASU: ULBs / Specialised agencies		Wage Employment : Works are to be executed through CDSs. Under the general control and supervision of ULBs.	
6.	Material and Labour rates in works executed	Material 60 *per cent* Labour 40 *per cent*		Material 60 *per cent* Labour 40 *per cent*	

CDSs: **Community Development Societies**

Appendix XXXVI

(Reference: paragraph 6.1.5.1; page 147)

Physical Targets and Achievements

Nehru Rozgar Yojana

(Number of beneficiaries)

Sl. No.	Name of the Component	1995-96			1996-97		
		Target	Achievement	Shortfall	Target	Achievement	Shortfall
1	SUME	11497	7561	34 *per cent*	11497	7231	37 *per cent*
2	SUME T&I	3559	1966	45 *per cent*	3559	2058	42 *per cent*
3	SUWE	2.59 lakh mandays	2.64 lakh mandays	-	2.59 lakh mandays	2.63 lakh mandays	-
4	SHASU T&I	1084	*	-	-	-	-

* **Amount received by CMA from HUDCO on 20 August 1997 and subsequently released to Municipalities on 05 June 1998. T & I – Training and Infrastructure**

Prime Minister's Rozgar Yojana (For issue of loan)

Sl. No.	Year	(Number of beneficiaries)				
		Target	Sanctioned	Shortfall against the target	Disbursement	Shortfall against the target
1	1995-96	21800	19304	11 *per cent*	14496	34 *per cent*
2	1996-97	21800	19438	11 *per cent*	13962	36 *per cent*
3	1997-98	18500	16362	11 *per cent*	13773	26 *per cent*
4	1998-99	18500	17646	5 *per cent*	14948	19 *per cent*
5	1999-2000	15000	15460	-	8644	42 *per cent*

Swarna Jayanthi Shahari Rozgar Yojana - Employment Generated

Name of the component	1998-99		1999-2000	
	Target	Achievement	Target	Achievement
USEP	@	606 beneficiaries	@	4469 beneficiaries
UWEP	@	29.05 lakh mandays	@	21.09 lakh mandays

Prime Minister's Integrated Urban Poverty Eradication Programme - Number of beneficiaries under Self Employment Component

Year	Target	Achievement
1995-96	@	(Number of beneficiaries) 1144
1996-97	@	
1997-98	@	

@ **For SJSRY and PMIUPEP no physical targets were fixed.**

Appendix XXXVII

(Reference: paragraph 6.1.6.1; page 150)

I Delayed release of funds by GOI

Name of the programme	Year	Amount released belatedly (Rupees in crore)	Month of release
NRY	1995-96	2.20 (44 *per cent*)	December 1995
		2.85 (56 *per cent*)	May 1996
	1996-97	2.20 (50 *per cent*)	December 1996
		2.17 (50 *per cent*)	May 1997
PMIUPEP	1995-96	10.46 (100 *per cent*)	February 1996
	1996-97	6.47 (100 *per cent*)	March 1997
SJSRY/USEP	1997-98	5.79 (100 *per cent*)	May 1998
	1998-99	5.68 (56 *per cent*)	December 1998
		3.32 (32 *per cent*)	March 1999
		1.20 (12 *per cent*)	April 1999
UWEP	1997-98	3.40 (100 *per cent*)	May 1998
	1998-99	2.94 (64 *per cent*)	December 1998
		1.66 (36 *per cent*)	March 1999

(Figures in brackets indicate the percentage of amount released to total GOI share for that year)

II Delayed release of funds by GTN

Name of the programme	Year	Amount released belatedly (Rupees in crore)	Month of release
NRY	1995-96	1.47 (44 *per cent*)	March 1996
		1.45 (43 *per cent*)	March 1997
		0.45 (13 *per cent*)	May 1997
	1996-97	2.92 (100 *per cent*)	March 1997
	1997-98	1.40 (100 *per cent*)	December 1997
PMIUPEP	1995-96	9.71 (100 *per cent*)	November 1996
	1996-97	6.07 (100 *per cent*)	July 1997
	1997-98	1.93 (54 *per cent*)	January 1998
		1.64 (46 *per cent*)	April 1998
SJSRY/USEP	1997-98	1.93 (100 *per cent*)	August 1998
	1998-99	1.89 (63 *per cent*)	March 1999
		1.11 (37 *per cent*)	April 1999
UWEP	1997-98	1.13 (100 *per cent*)	September 1998
	1998-99	0.98 (37 *per cent*)	March 1999
		0.55 (21 *per cent*)	April 1999
		1.13 (42 *per cent*)	March 2000

(Figures in brackets indicate the percentage of amount released to total State share of that year)

Appendix XXXVIII

(Reference: Paragraph 6.2.4,6.2.9 and 6.2.10; Pages 156, 162 and 164)

Component-wise details of deposits and works expenditure

(Rupees in crore)

Sl.No	Year	Rural		Urban		Maintenance		Others		Total	
		Deposits	Expen-diture	Deposits	Expen-diture	Deposits	Expen-diture	Deposits	Expen-diture	Deposits	Expen-diture
1.	1994-95	111.40	82.72	49.76	21.64	18.29	15.66	82.53	61.37	261.98	181.39
2.	1995-96	163.99	106.46	30.72	23.45	1.52	29.09	13.21	31.01	209.44	190.01
3.	1996-97	257.25	154.99	50.08	83.52	18.34	30.25	40.91	16.06	366.58	284.82
4.	1997-98	216.25	283.11	41.71	112.16	30.17	39.79	27.05	13.89	315.18	448.95
5.	1998-99	338.26	376.35	104.15	56.96	3.74	5.78	45.98	48.89	492.13	487.98
Total		**1087.15**	**1003.63**	**276.42**	**297.73**	**72.06**	**120.57**	**209.68**	**171.22**	**1645.31**	**1593.15**

Appendix XXXIX

(Reference: Paragraph 6.2.5 and 6.2.8 (ii); Pages 157 and 162)

Budget and Revised Estimates and Actuals for Receipts and Expenditure

(Rupees in crore)

Year	Receipts			Expenditure		
	Budget Estimate	Revised Estimate	Actuals	Budget Estimate	Revised Estimate	Actuals
			Rural			
1994-95	101.81	119.34	111.40	101.81	119.34	82.72
1995-96	219.57	195.52	163.99	219.57	195.52	106.46
1996-97	164.32	241.74	257.25	164.32	241.74	154.99
1997-98	215.63	321.23	216.25	329.79	321.23	283.11
1998-99	315.00	347.65	338.26	315.00	347.65	376.35
			Urban			
1994-95	57.50	38.47	49.76	57.50	38.47	21.64
1995-96	141.87	151.94	30.72	141.87	151.94	23.45
1996-97	288.45	55.78	50.08	288.45	55.78	83.52
1997-98	78.82	116.86	41.71	121.81	90.68	112.16
1998-99	109.00	101.72	104.15	81.50	101.72	56.96
			Maintenance			
1994-95	10.00	12.00	18.29	10.00	12.00	15.66
1995-96	19.36	20.00	1.52	19.36	20.00	29.09
1996-97	30.00	34.83	18.34	30.00	34.83	30.25
1997-98	38.31	57.85	30.17	38.31	38.31	39.79
1998-99	90.43	60.75	3.74	90.05	56.44	5.78
			Others			
1994-95	70.19	80.90	124.30	70.19	80.90	61.37
1995-96	1.90	9.48	73.21	1.90	9.48	31.01
1996-97	2.48	1.49	40.91	2.48	1.49	16.06
1997-98	1.50	0.99	27.05	2.50	29.16	13.89
1998-99	1.50	31.18	45.98	30.00	31.18	48.89

Appendix XL

(Reference: Paragraph 6.2.12; Page 165)

Financial Results of Tamil Nadu Water Supply and Drainage Board

(Rupees in crore)

	Income				
	1994-95	**1995-96**	**1996-97**	**1997-98**	**1998-99**
Centage	28.42	27.97	43.89	63.21	72.35
Maintenance of rig and vehicles	5.83	8.36	7.92	9.34	11.94
Maintenance of Water Supply Scheme	--	--	--	16.71	49.94
Interest	42.04	43.44	46.12	53.02	61.13
Others	6.53	17.61	6.89	15.26	20.00
Total	**82.82**	**97.38**	**104.82**	**157.54**	**215.36**

			Expenditure		
Administrative Expenditure	46.51	47.74	54.72	60.62	78.97
Maintenance of rig and vehicles	7.97	8.87	10.03	12.03	13.58
Maintenance of Water Supply Scheme	--	--	--	5.21	64.92
Interest	34.43	38.45	40.92	45.68	55.12
Others	0.19	0.81	2.72	3.26	4.06
Total	**89.10**	**95.87**	**108.39**	**126.80**	**216.65**

Appendix XLI

(Reference: paragraph 6.6; page 169)

Details of Audit entrusted by the Government

Sl.No.	Name of Body	Section under which entrusted	Period of entrustment	Date of entrustment
1.	Tamil Nadu State Legal Services Authorities, Chennai	19(2)	1997-98 onwards	03 December 1997
2.	State Human Rights Commission, Chennai	19(2)	1997-98 onwards	07 June 1997
3.	State Electricity Regulatory Commission, Chennai	19(2)	01September 1999 onwards	17 March 1999
4.	Tamil Nadu State Aids Control Society, Chennai	20(1)	1994-95 onwards	15 February 1996
5.	Regional Institute of Correctional Administration, Vellore	20(1)	1995-96 to 1999-2000	17 January 1997
6.	Tamil Nadu State Blindness Control Society, Chennai	20(1)	1997-98 onwards	23 June 1997
7.	Tamil Nadu Maritime Board, Chennai	19(3)	1997-98 to 2001-2002	30 April 1999
8.	District Legal Services Authority, Chennai	19(2)	01 November 1997 onwards	23 May1997
9.	District Legal Services Authority, Chengelpat	19(2)	01 November 1997 onwards	23 May 1997
10.	District Legal Services Authority, Cuddalore	19(2)	01 November 1997 onwards	23 May 1997
11.	District Legal Services Authority, Villupuram	19(2)	01 November 1997 onwards	23 May1997
12.	District Legal Services Authority, Vellore	19(2)	01 November 1997 onwards	23 May 1997
13.	District Legal Services Authority, Thiruvannamalai	19(2)	01 November 1997 onwards	23 May 1997
14.	District Legal Services Authority, Thanjavur	19(2)	01 November 1997 onwards	23 May 1997
15.	District Legal Services Authority, Nagapattinam	19(2)	01 November 1997 onwards	23 May 1997
16.	District Legal Services Authority, Madurai	19(2)	01 November 1997 onwards	23 May 1997
17.	District Legal Services Authority, Dindigul	19(2)	01 November 1997 onwards	23 May 1997

Sl.No.	Name of Body	Section under which entrusted	Period of entrustment	Date of entrustment
18.	District Legal Services Authority, Ramanathapuram	19(2)	01 November 1997 onwards	23 May 1997
19.	District Legal Services Authority, Srivilliputhur	19(2)	01 November 1997 onwards	23 May 1997
20.	District Legal Services Authority, Sivaganga	19(2)	01 November 1997 onwards	23 May 1997
21.	District Legal Services Authority, Krishnagiri	19(2)	01 November 1997 onwards	23 May 1997
22.	District Legal Services Authority, Salem	19(2)	01 November 1997 onwards	23 May 1997
23.	District Legal Services Authority, Coimbatore	19(2)	01 November 1997 onwards	23 May 1997
24.	District Legal Services Authority, Kanyakumari	19(2)	01 November 1997 onwards	23 May 1997
25.	District Legal Services Authority, Erode	19(2)	01 November 1997 onwards	23 May 1997
26.	District Legal Services Authority, Tirunelveli	19(2)	01 November 1997 onwards	23 May 1997
27.	District Legal Services Authority, Thoothukudi	19(2)	01 November 1997 onwards	23 May 1997
28.	District Legal Services Authority, Tiruchirappalli	19(2)	01 November 1997 onwards	23 May 1997
29.	District Legal Services Authority, Pudukkottai	19(2)	01 November 1997 onwards	23 May 1997
30.	District Legal Services Authority, Nilgiris	19(2)	01 November 1997 onwards	23 May 1997
31.	District Legal Services Authority, Perambalaur	19(2)	1999-2000 onwards	27 April 1999
32.	District Legal Services Authority, Karur	19(2)	1999-2000 onwards	27 April 1999
33.	Regional Engineering College, Tiruchirappalli	20(1)	1998-99 to 2002-2003	22 December 1998

Appendix XLII

(Reference: paragraph 6.9; page 171)

Details of houses constructed and reasons for non-allotment

Serial Number	Name of the scheme	Total number of houses constructed	Total number of unallotted houses till December 1999	Cost of construction of unallotted houses	Capitalised value of unallotted houses	Reasons for poor demand
				(Rupees in lakh)		
1.	Madhuranthagam	81	29	53.76	77.00	Cost and initial deposit were high.
2.	Udumalpet	316	311	486.43	885.00	6 km away from town and no frequent bus facilities/ location surrounded by agricultural land – cost higher than market value.
3.	Palladam	69	40	61.49	118.00	High cost.
4.	Virudhachalam	184	94	159.54	194.60	LIG houses considered too small and twin type model not liked by allottees.
5.	Chengam	100	86	186.18	258.00	Backward area and people were not financially sound. Local people threatened the buyers from outside.
6.	Srivilliputhur	455	217	292.53	438.70	High cost. Roof leakage. Non-availability of borewell for drinking water.
7.	Rajapalayam	622	254	202.71	235.35	High cost, inaccessible and 4 km away from town.
8.	Thirumangalam	164	107	171.78	269.60	High cost.
9.	Sankaraperi	129	68	86.35	175.00	No direct approach road and protected water supply – Remote area.
	Total	**2120**	**1206**	**1700.77**	**2651.25**	

Appendix XLIII

('eference: paragraph 6.10; page 173)

Selling price of shops as per the pricing policy

(Rupees in lakh)

Cost of land	:	412.57
Cost of construction of commercial-*cum*-residential complex	:	886.54
Total	:	1299.11
Total plinth area of commercial-*cum*-residential complex	:	19334 Sq.m
Plinth area of commercial complex	:	4629 Sq.m
Proportionate cost of land and construction for 4629 Sq.m	:	311.04
Supervision charges @ 12.5 *per cent*	:	38.88
		349.92
Cost of conversion (AC) including supervision charges	:	189.35
		539.27
Capitalisation of half the project period interest from February 1991 to September 1996 at 17 *per cent* * on Rs 349.92 lakh (34 months)	:	168.54
Capitalisation of half the project period interest from September 1994 to September 1996 at 17 *per cent* * on Rs 189.35 lakh (12.5 months)	:	33.53
		741.34
Collection charge at 0.5 *per cent*	:	3.71
		745.05
Profit at 20 *per cent**	:	149.01
		894.06
Rate per sq.m	:	894.06/4629 = Rs 19314
Rate per sq.ft	:	19314/10.76 = Rs 1795 (or) Rs 1800/-

* **Rate of interest and profit as adopted by the Board in its calculation.**

Appendix XLIV

(Reference: paragraph 6.23 (B); page 186)

Calculation of half-yearly property tax

A. Table showing the different percentages applicable for calculation of half-yearly Tax from the Annual Value

Grade	Annual Value	Half yearly tax (as a percentage of the Annual Value)
I	From Re 1 upto Rs 500	6.43
II	Above Rs 500 to Rs 1000	9.58
III	Above Rs 1000 to Rs 5000	10.63
IV	Above Rs 5000	11.95

B. Steps involved in the computation of Revised Annual Value (AV)

1. The existing AV of the property, the extent of Building, type of occupation (owner or tenant) and usage (residential or commercial) were taken from the data available with the Corporation.
2. The current extent of the building, type of occupation and usage were taken from the returns filed by the assessees.
3. The existing AV was then updated taking into account changes in area, usage or occupation if any.
4. Calculation of Fair rent (FR) (an independent assessment of the Rental Value of the property), in accordance with the provisions of the Chennai Buildings (Lease and Rent Control) Act 1960.
5. Striking a ratio between the updated 'Monthly Rental Value of the Property' and the 'FR'.
6. Calculating the Revised Rental Value by application of percentage increased to the updated rental value as per the table below based on the ratio arrived at in item 5 above. The rate of increase to be applied on the existing AV depends on the ratio of Existing Rental Value (ERV)/Fair Rent Value (FRV) as given below. This process has the effect of giving greater increase in tax to properties where the existing tax was low and vice versa. The percentage increases ranged between 20 *per cent* to 100 *per cent* depending on the above ratio and also the usage/occupation.

Table showing different percentages of increases to be applied on the existing AV for purposes of the General Revision

Sl	Ratio ERV/FRV	Residential owner	Residential tenant	Non-residential owner	Non-residential tenant
1	Above 3/4	20%	30%	50%	60%
2.	Below 3/4 Above 1/2	20%	35%	55%	65%
3.	Below 1/2 Above 1/4	25%	40%	65%	75%
4.	Below 1/4	25%	50%	90%	100%

7. Limiting the Revised Rental Value to the FR so that no individual taxpayer suffered any abnormal increase in Tax.
8. Converting the Revised Rental Value to the Revised AV (by allowing a 10 *per cent* reduction on cost of building to meet expenditure on maintenance)
9. Computation of Revised Tax from the Revised AV, at different percentages depending on magnitude of the AV.

Appendix XLV

(Reference: paragraph 6.30.4 (a) (i) page 199)

Execution of works not covered under the Scheme

Year	Name of the Constituency/ Rajya Sabha Member (S/Shri)	Sl. No.	Details of work	Expenditure incurred (Rs in lakh)
1997-98	Rasipuram	1	Construction of Commercial Complex at Edangansalai	5.48
		2	Appasamudram Milk Producers Cooperative Society Building	2.15
		3	Road Maintenance Work-Narasingapuram To Appasamudram (200 Metres)	0.40
	Salem	4	Repairs to Drains at Arumuganagar Division 44	1.75
		5	Repairs to Drains at Arumuganagar Division 44 Reach II	0.50
		6	Maintenance work to School Building at Manipur Middle School	1.25
	R. Margabandhu (Rajya Sabha)	7	Construction of compound walls to Schools – 2 numbers	2.09
		8	Formation of Thrashing floors – 6 numbers	3.60
	Tirunelveli	9	Formation of Thrashing floor at Manur	0.75
	Thangaraj Pandian (Rajya Sabha)	10	Formation of Thrashing floor at Shanmugapuram	0.50
	S. Peter Alphonse (Rajya Sabha)	11	Construction of commercial complex at Seevanallur	4.03
	Mayiladuthurai	12	Gravelling works–1 number	1.22
		13	Improvement to road-6 numbers	5.22
	O.S. Manian (Rajya Sabha)	14	Gravelling works–1 number	1.25
1998-99	Rasipuram	15	Commercial complex at Thalaivasal-2 numbers	5.88

Year	Name of the Constituency/ Rajya Sabha Member (S/Shri)	Sl. No.	Details of work	Expenditure incurred (Rs in lakh)
		16	Repairs to Higher Secondary School at P.N. Palayam	1.50
		17	Shopping complex at Karappur	2.40
		18	Shopping complex at Kollapatti	0.98
		19	Construction of buildings for Milk Cooperative Society at Mathur	1.95
	Chidambaram	20	Construction of Compound wall to Government Girls Higher Secondary School at Chidambaram	3.87
		21	Repair works to Schools –2 numbers	8.90
	Vellore	22	Construction of Compound walls to Schools –6 numbers	4.50
		23	Construction of Compound wall to Play ground	5.00
		24	Formation of Thrashing Floor	0.73
	Pollachi	25	Repairs to Community Hall	0.40
		26	Purchase of furniture to schools –5 numbers	0.26
		27	Purchase of 25 HP Engine to Aliyar Dam for Boat	0.85
		28	Construction of shops inside the bus stand at Periyanegamam	10.00
	Viduthalai Virumbi (Rajya Sabha)	29	Purchase of furniture to schools –3 numbers	0.13
		30	Purchase of Colour T.V for Usilampatti Panchayat Union	0.12
		31	Gravelling Burial Ground Road - Sakkalapuram to Kakkivadanpatti	0.30

Year	Name of the Constituency/ Rajya Sabha Member (S/Shri)	Sl. No.	Details of work	Expenditure incurred (Rs in lakh)
		32	Forming and Gravelling road 0/0 to 2/6 - Kodangipatti to Thombakulam	2.89
		33	Gravelling road - Mookarnatham to Oonjampatti	2.99
	Coimbatore	34	Construction of 3 shops in Perur Town Panchayat	2.64
	Tenkasi	35	Improvement to roads (Gravel works) 4 numbers	7.00
	P. Soundararajan (Rajya Sabha)	36	Provision of sodium vapour lamps	0.81
	S. Peter Alphonse (Rajya Sabha)	37	Provision of sodium vapour lamps	0.05
	O.S. Manian	38	Gravelling work –1 number	0.26
	South Chennai	39	Provision of sodium vapour lamps	6.64
	North Chennai	40	Provision of sodium vapour lamps	4.97
1999-2000	Cuddalore	41	Formation of Thrashing Floors –12 numbers	5.95
	Vellore	42	Construciton of Compound wall to school	0.98
		43	Construction of Pre-retaining wall and climbing steps to Murugan Temple, Palamethi	1.93
		44	Construction of retaining wall and climbing steps to Murugan Temple, Palamethi.	2.96
	R. Margabandhu (Rajya Sabha)	45	Formation of Thrashing Floors –2 numbers	1.20
	Viduthalai Virumbi (Rajya Sabha)	46	Construction of Cycle stand at Government Higher Secondary School at Palladam	1.00
		47	Construction of compound wall for new Bus stand at S.S. Kulam	3.20

Year	Name of the Constituency/ Rajya Sabha Member (S/Shri)	Sl. No.	Details of work	Expenditure incurred (Rs in lakh)
		48	Purchase of furniture for Karamadai Government Higher Secondary School	3.00
	Sivakasi	49	Construction of compound walls to schools at Puvani –2 numbers	1.00
		50	Formation of Thrashing floor at Patakulam	1.50
		51	Forming and gravelling road-Kongankulam to Thombakulam	1.28
		52	Gravelling of road-Appanur to Amman Koil-patti 0/0 to 2/0	2.99
		53	Formation of Burial Ground road at Mandithoppu	0.75
		54	Formation of Burial Ground at Nakkalkottai	1.49
	S. Peter Alphonse (Rajya Sabha)	55	Formation of Thrashing floors at Rowtharpery	0.70
	P. Soundararajan (Rajya Sabha)	56	Provision of sodium vapour lamps	0.25
	South Chennai	57	Provision of 6 KBPS Internet leased connection for the Nodal centre for Internet facility to High Schools/Higher secondary schools of Government/Corporation/ municipalities of South Chennai Constituency	8.70
	North Chennai	58	Purchase of computers to Taluk office, Ambattur	1.30
			Total	**146.39**

Appendix XLVI

(Reference: paragraph 7; page 202)

Summarised financial position of the Government Commercial/Quasi–commercial undertakings

(Rupees in lakh)

Sl. No.	Name of the Department	Year of Commencement	Period of accounts	Capital at close	Net block of assets	Cumulative depreciation	Turnover	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	
I	**Agriculture Department**												
1	Government Agricultural Engineering Workshop, Chennai	1952	1996-97	453.94	10.72	11.36	21.47	(-) 55.44	(-) 68.14	422.04	..	..	..
2	Scheme for Purchase and Distribution of Chemical Fertilisers, Chennai	1954	1980-81	445.96	..	..	7.32	(-) 14.26	(-) 47.92	440.96	..	..	Provisional
II	**Animal Husbandry and Fisheries Department**												
3	Chank Fisheries, Tuticorin	1909	1993-94	159.71	3.34	6.74	0.72	(-) 11.38	(-) 12.31	154.39	..	..	..
4	Chank Fisheries, Ramanathapuram	1978	1996-97	130.67	0.27	0.66	..	(-) 10.21	(-) 24.90	117.92	..	..	..
								Total	**(-) 153.27**				

Appendix XLVII

Glossary of abbreviations

A&OE	:	Administrative and office expenses
ABDO	:	Assistant Block Development Officer
ADTP	:	Assistant Director of Town Panchayats
AE	:	Assistant Engineer
AEE	:	Assistant Environmental Engineers
ARP	:	Accelerated Rural Water Supply Programme
ASC	:	Alternative Schooling Centres
AWPB	:	Annual Work Plan Budget
BAS	:	Baseline Assessment Survey
BDO	:	Block Development Officer
BE	:	Budget Estimates
BP	:	Block Panchayats
BPL	:	Below the Poverty line
BRC	:	Block Resource Centre
CBR	:	Crude Birth Rate
CC	:	Conventional Contraceptive
CCFS	:	Central Committee of Food Standards
CDR	:	Crude Death Rate
CETP	:	Common effluent treatment plant
CHC	:	Community Health Centre
CMA	:	Commissioner of Municipal Administration
CPR	:	Effective Couple Protection Rate
CRC	:	Cluster Resource Centre
CRSP	:	Central Rural Sanitation Programme
CSSM	:	Child Survival and Safe Motherhood Programme

DANIDA	:	Danish International Development Agency
DCDA	:	Double Conversion and Double Adoption
DDHS	:	Deputy Director of Health Services
DDMRHS	:	Deputy Director of Medical and Rural Health Services
DDP	:	Decentralised District Planning
DFO	:	Divisional Forest Officer
DFW	:	Director of Family Welfare
DFWB	:	District Family Welfare Bureaux
DIC	:	District Industries Centre
DIET	:	District Institute of Educational Training
DPC	:	District Programme Cordinators
DPEP	:	District Primary Education Programme
DPHPM	:	Director of Public Health and Preventive Medicine
DPRs	:	Detailed Project Reports
DRDA	:	District Rural Development Agency
DTERT	:	Director of Teacher Education, Research and Training
DTP	:	Director of Town Panchayats
DUDA	:	District Urban Development Agencies
DWCRA	:	Development of Women and Children in Rural Areas
EAS	:	Employment Assurance Scheme
EC	:	Eligible Couple
ECCE	:	Early Childhood Care and Education Centre
ETP	:	Effluent treatment plant
FAL	:	Food Analysis Laboratory
FD	:	Fixed Deposit
FI	:	Food Inspector
FRU	:	First Referral Unit

FW	:	Family Welfare
GEMS	:	Global Environmental Monitoring System
GER	:	Gross Enrolment Ratio
GM	:	General Manager
GOI	:	Government of India
GTN	:	Government of Tamil Nadu
HFWTC	:	Health and Family Welfare Training Centre
HI	:	Health Inspector
HSC	:	Health Sub Centre
HUDCO	:	Housing and Urban Development Corporation Limited
IAY	:	Indira Awaas Yojana
ICDIC	:	Industries Commissioner and Director of Industries and Commerce
ICDS	:	Integrated Child Development Services
I & D	:	Interception and diversion of sewage
IDA	:	International Development Association
IEC	:	Information, Education and Communication Programme
IED	:	Integrated Education of the Disabled Children
IFA	:	Iron Folic Acid
IHHL	:	Individual Household Latrines
IMR	:	Infant Mortality Rate
IUD	:	Intra Uterine Devise
JDPHPM	:	Joint Director of Public Health and Preventive Medicine
JRY	:	Jawahar Rozgar Yojana
LCS	:	Low Cost Sanitation
LIC	:	Life Insurance Corporation of India
MAS	:	Mid-term Assessment Survey
MAWSD	:	Municipal Administration and Water Supply Department

MCH	:	Maternal Child Health care
MINARS	:	Monitoring of India National Aquatic Resource System
MNP	:	Minimum Needs Programme
MTP	:	Medical Termination of Pregnancy
NER	:	Net Enrolment Ratio
NFE	:	Non-formal Education
NGO	:	Non-governmental Organisation
NHP	:	National Health Policy
NMRs	:	Nominal Muster Rolls
NRCP	:	National River Conservation Plan
NRY	:	Nehru Rozgar Yojana
NSDP	:	National Slum Development Programme
OB/AB	:	Obstetric/Abortion
OP	:	Oral Pills
ORT	:	Oral Rehydration Therapy
OT	:	Operation Theatre
PAC	:	Public Accounts Committee
PD	:	Personal Deposit
PFA	:	Prevention of Food Adulteration
PH	:	Physically Handicapped
PHC	:	Primary Health Centre
PMIUPEP	:	Prime Minister's Integrated Urban Poverty Eradication Programme
PMRY	:	Prime Minister's Rozgar Yojana
PPC	:	Post Partum Centre
PWD	:	Public Works Department
RCHP	:	Reproductive and Child Health Programme
RDMA	:	Regional Director for Municipal Administration

RE	:	Revised Estimates
RFD	:	River Front Development
RFWC	:	Rural Family Welfare Centre
RTI	:	Reproductive Tract Infection
RWS	:	Rural Water Supply
SC/ST	:	Scheduled Castes/Scheduled Tribes
SCERT	:	State Councils of Educational Research and Training
SGSY	:	Swarnajayanthi Gram Swarozgar Yojana
SHASU	:	Scheme of Housing and Shelter Upgradation
SIRD	:	State Institute of Rural Development
SJSRY	:	Swarna Jayanthi Shahari Rozgar Yojana
SPD	:	State Project Director
STD	:	Short Term Deposit
STF	:	Smear Test Facility
STI	:	Sexually Transmitted Infection
STP	:	Sewage Treatment Plants
SUDA	:	State Urban Development Agency
SUME	:	Scheme of Urban Micro Enterprises
SUWE	:	Scheme of Urban Wage Employment
TA	:	Travelling Allowance
TANCEM	:	Tamil Nadu Cement Corporation
TCA	:	Transfer Credit Advices
TFC	:	Tenth Finance Commission
TNAHCP	:	Tamil Nadu Area Health Care Project
TNCHF	:	Tamil Nadu Cooperative Housing Federation
TNMSC	:	Tamil Nadu Medical Services Corporation
TNPSC	:	Tamil Nadu Public Service Commission

TNSL	:	Tamil Nadu Steels Limited
TT	:	Tetanus Toxoid
TUFIDCO	:	Tamil Nadu Urban Finance and Infrastructure Development Corporation
TWAD	:	Tamil Nadu Water Supply and Drainage Board
UBSP	:	Urban Basic Services for the poor
UC	:	Utilisation Certificates
UEGP	:	Urban Employment Generation Programme
UFWC	:	Urban Family Welfare Centre
UHP	:	Urban Health Posts
ULB	:	Urban Local Body
USEP	:	Urban Self Employment Programme
UWEP	:	Urban Wage Employment Programme
VHN	:	Village Health Nurse
VLC	:	Village Level Committees
VP	:	Village Panchayats
WC	:	Wood-based Crematoria
WSS	:	Water Supply Schemes